



TÜRKİYE CUMHURİYET  
MERKEZ BANKASI

# BRIEFING ON 2024-I INFLATION REPORT

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Governor

8 FEBRUARY 2024

ANKARA



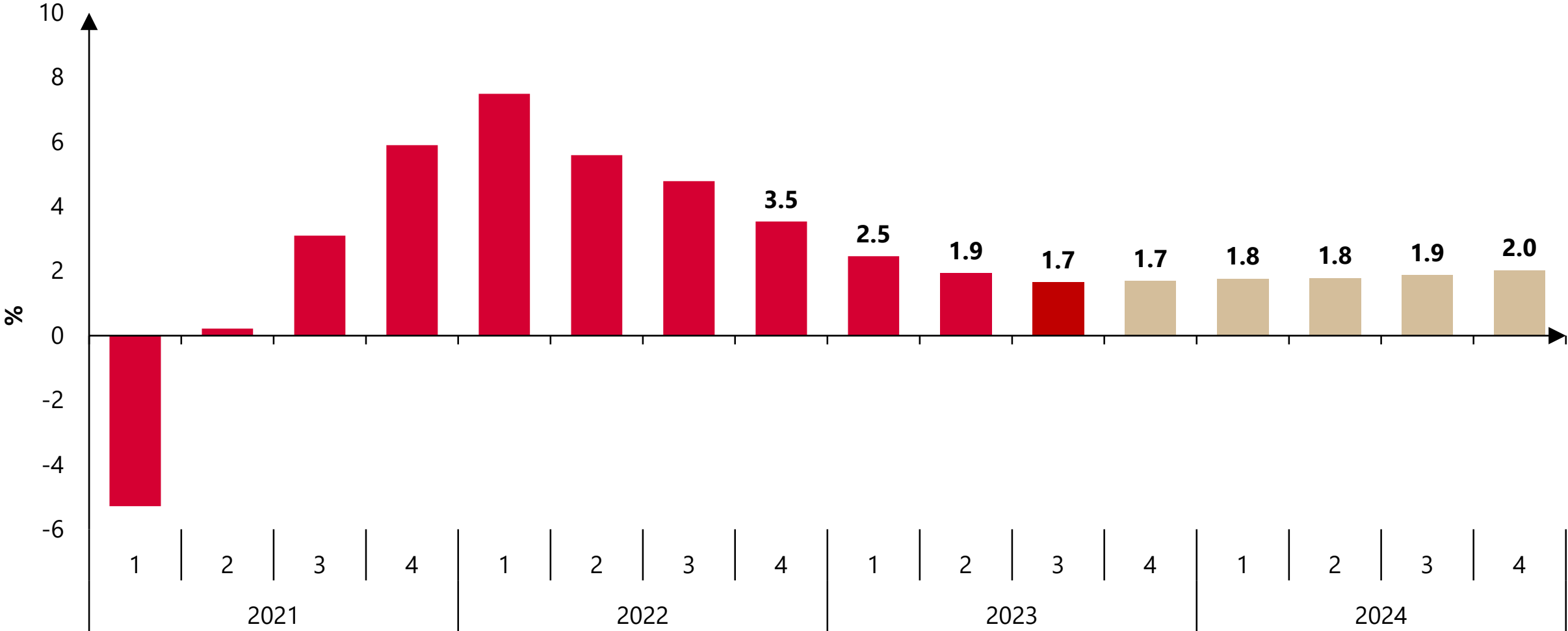
# Outline

- **Global Economy**
- **Inflation**
- **Monetary Policy**
- **Financial Conditions**
- **Medium-Term Projections**
- **Overview**

# GLOBAL ECONOMY

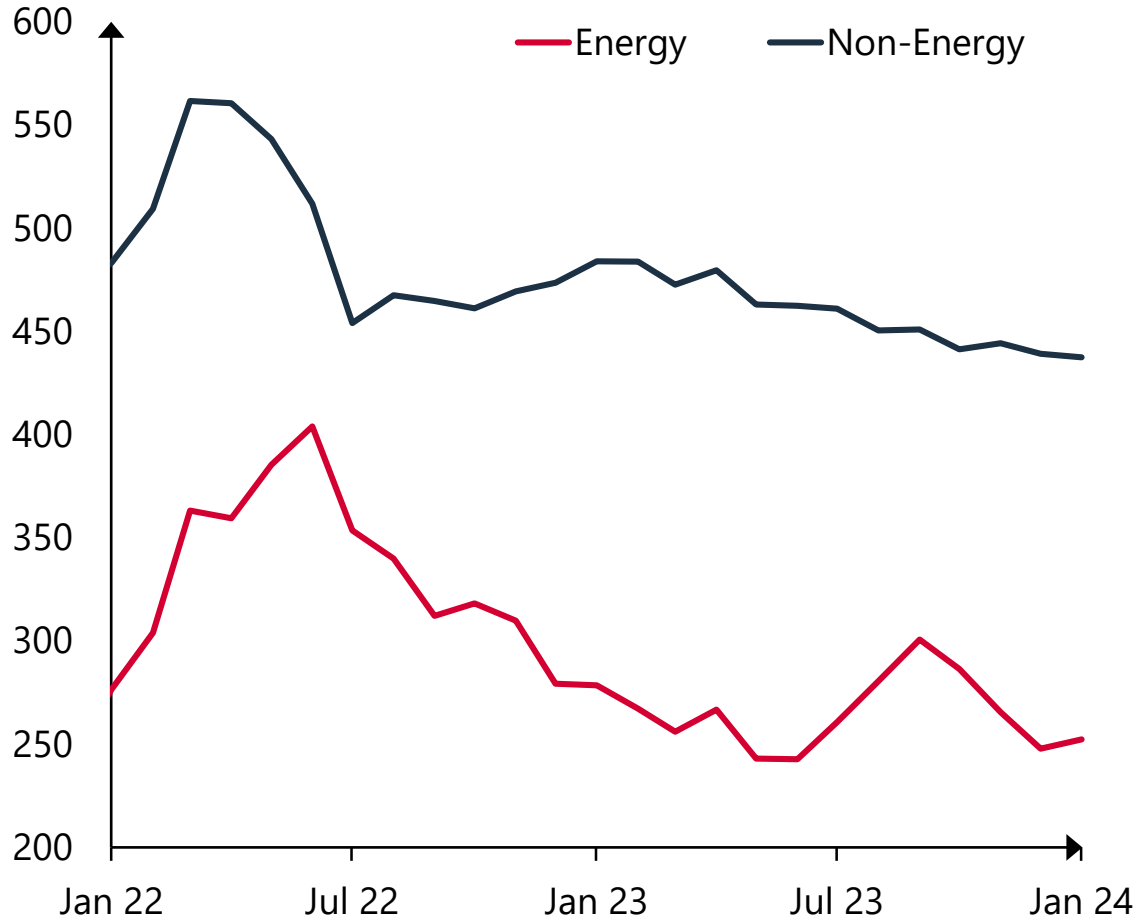
# Global growth is projected to remain subdued in 2024.

Export-Weighted Global Growth\*

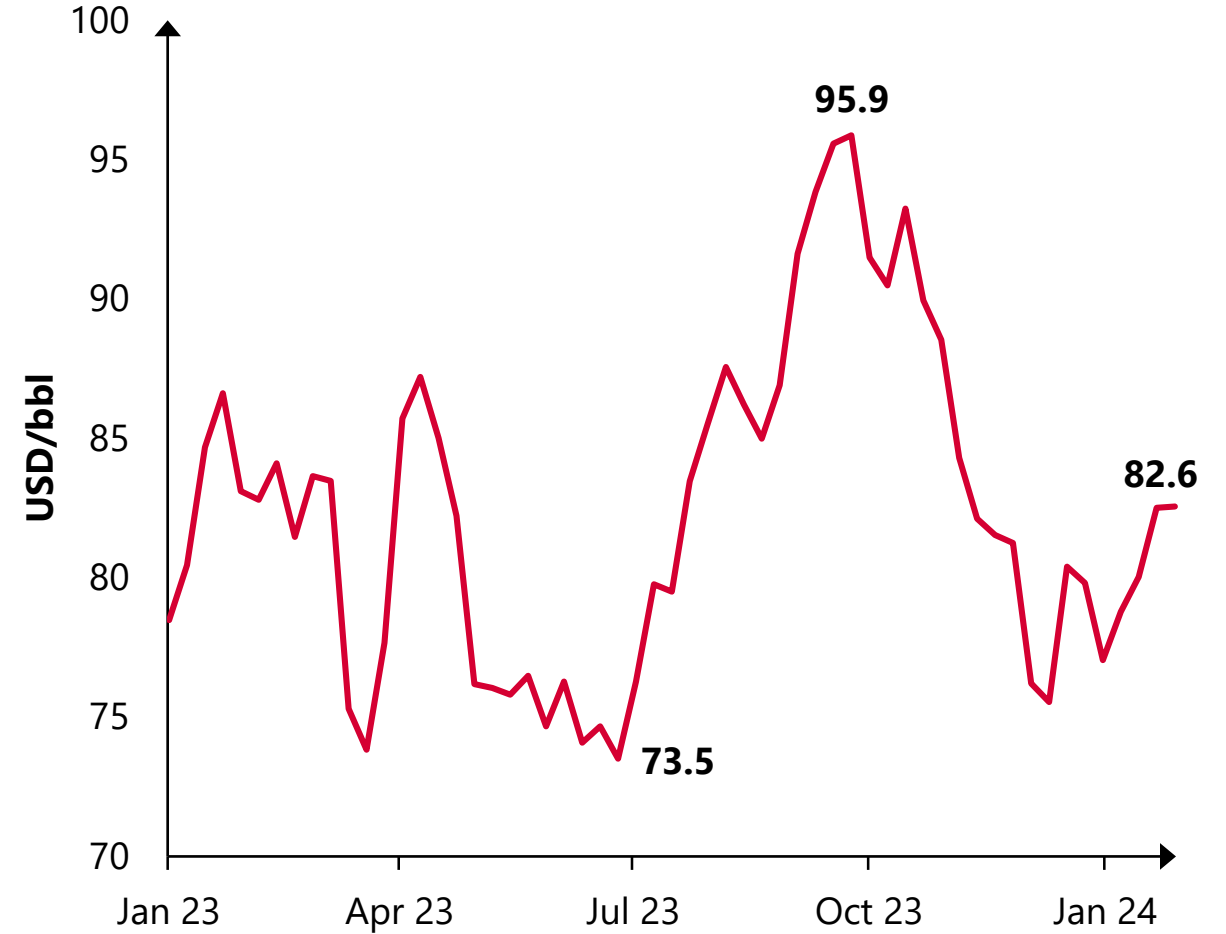


# Oil prices declined markedly, despite ongoing volatility.

## Commodity Price Indices\*

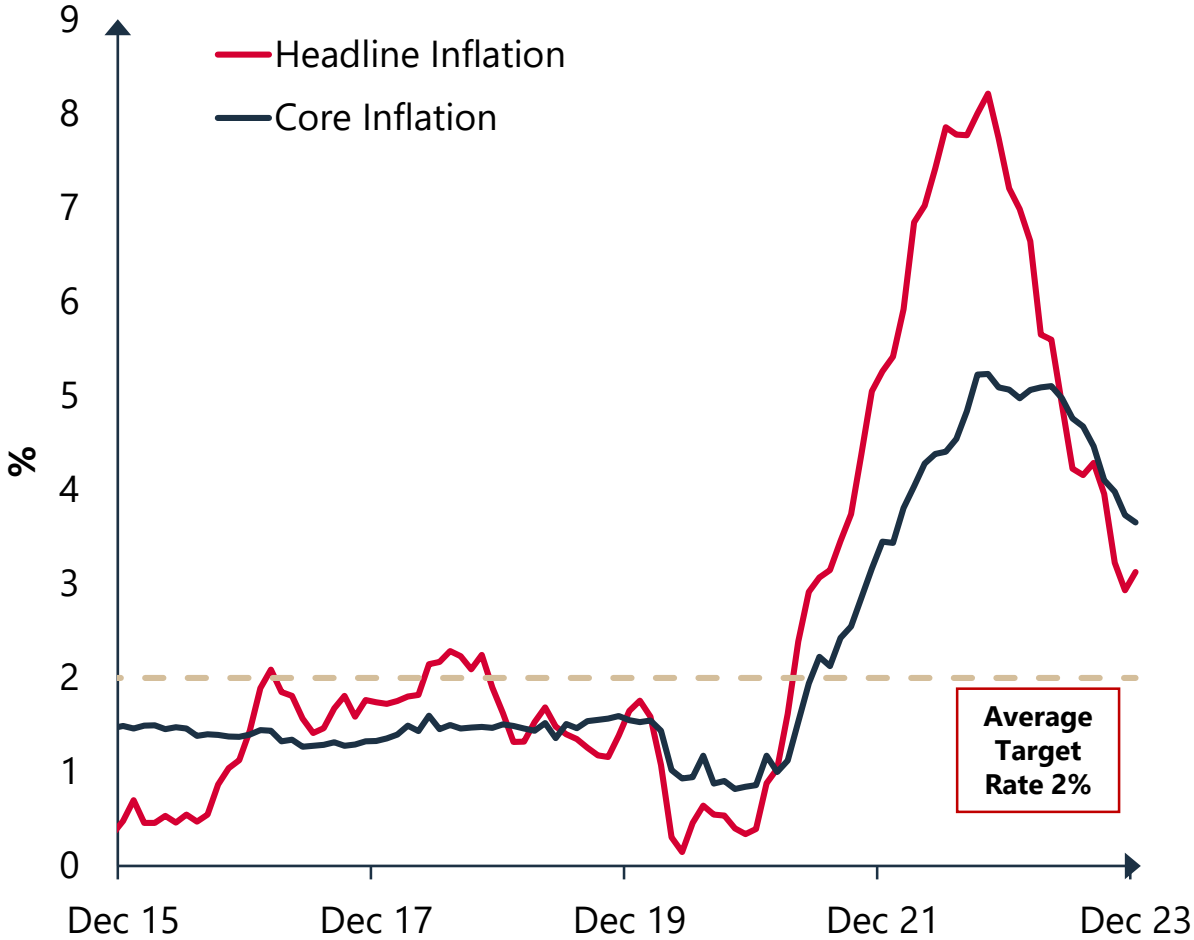


## Brent Oil Price\*\*

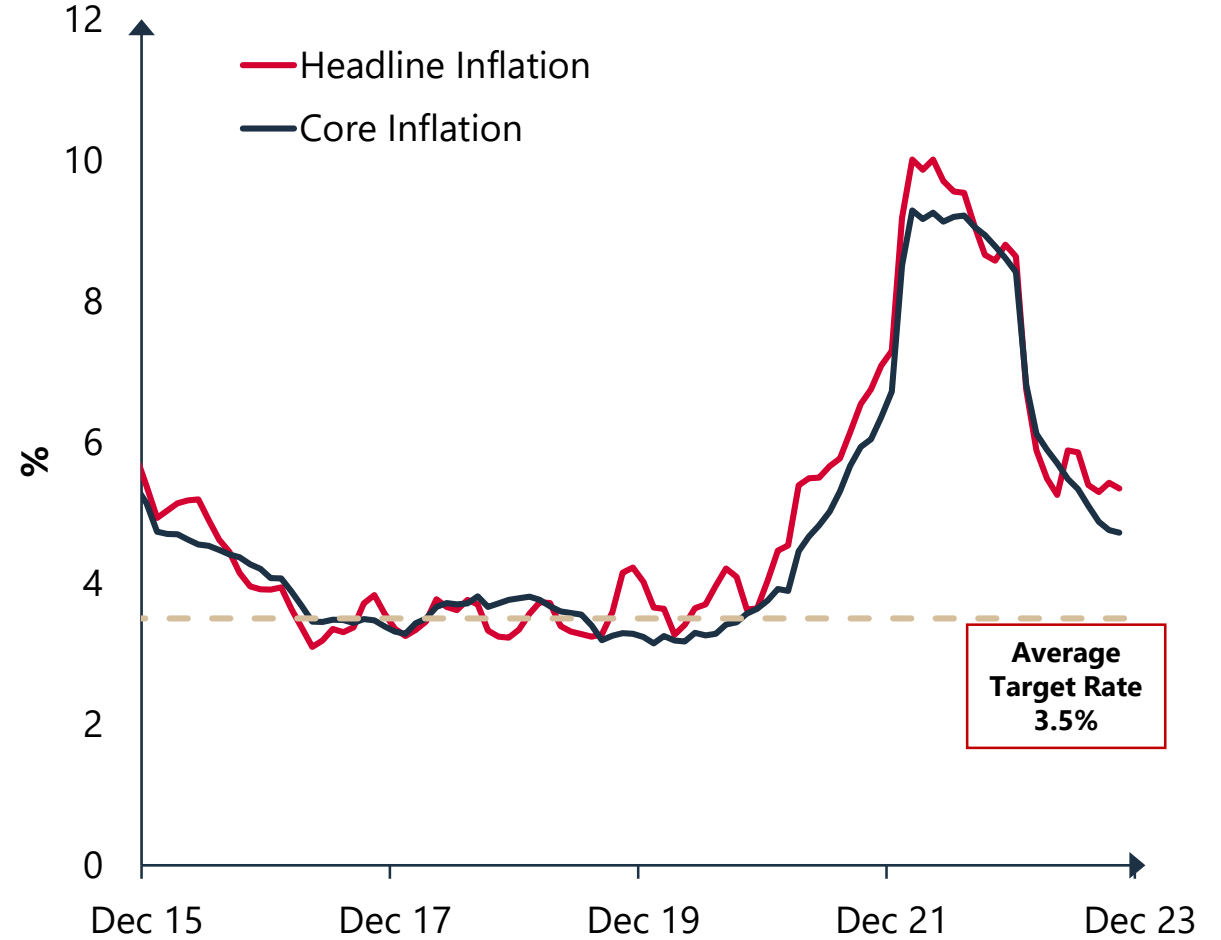


# While inflation has eased, it remains above target levels.

## Inflation in Advanced Economies\*

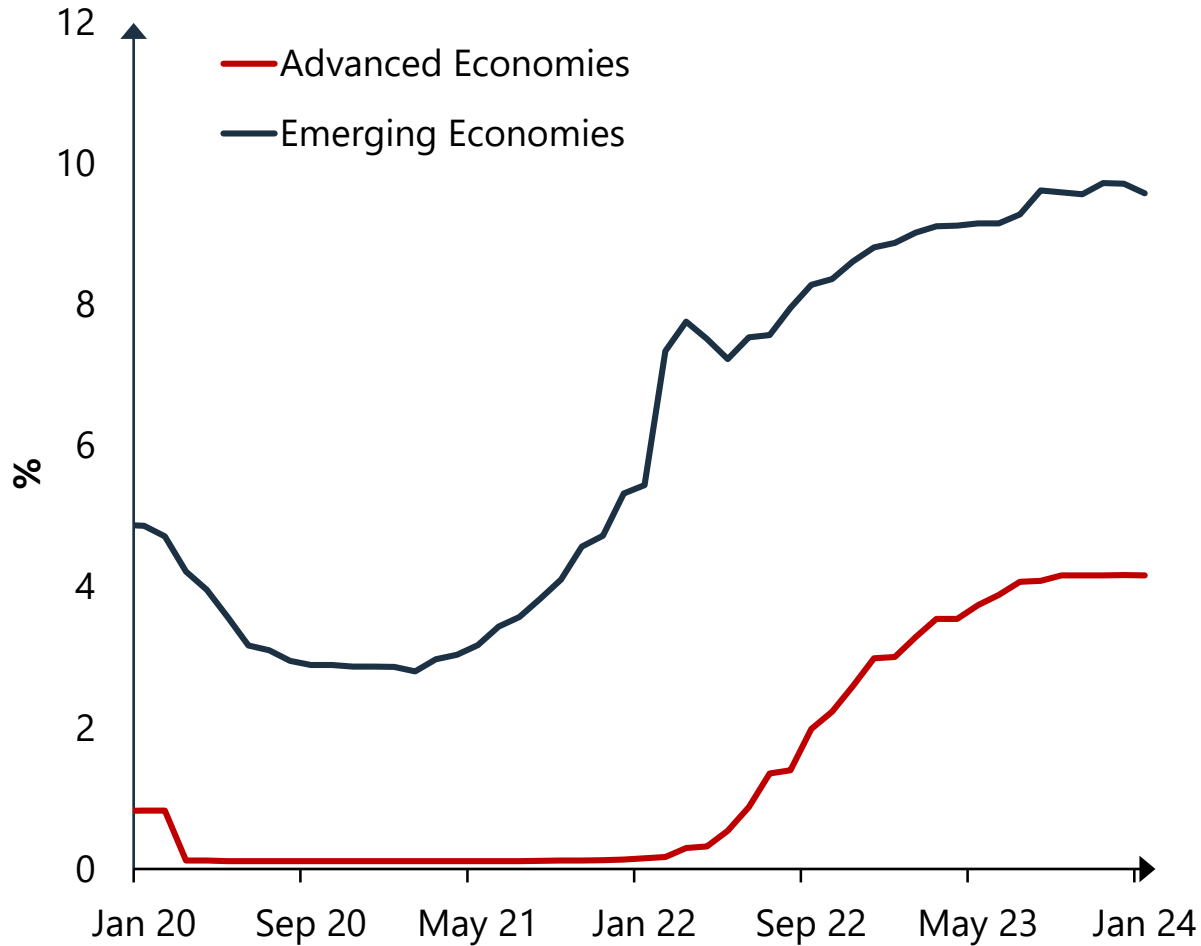


## Inflation in Emerging Economies\*

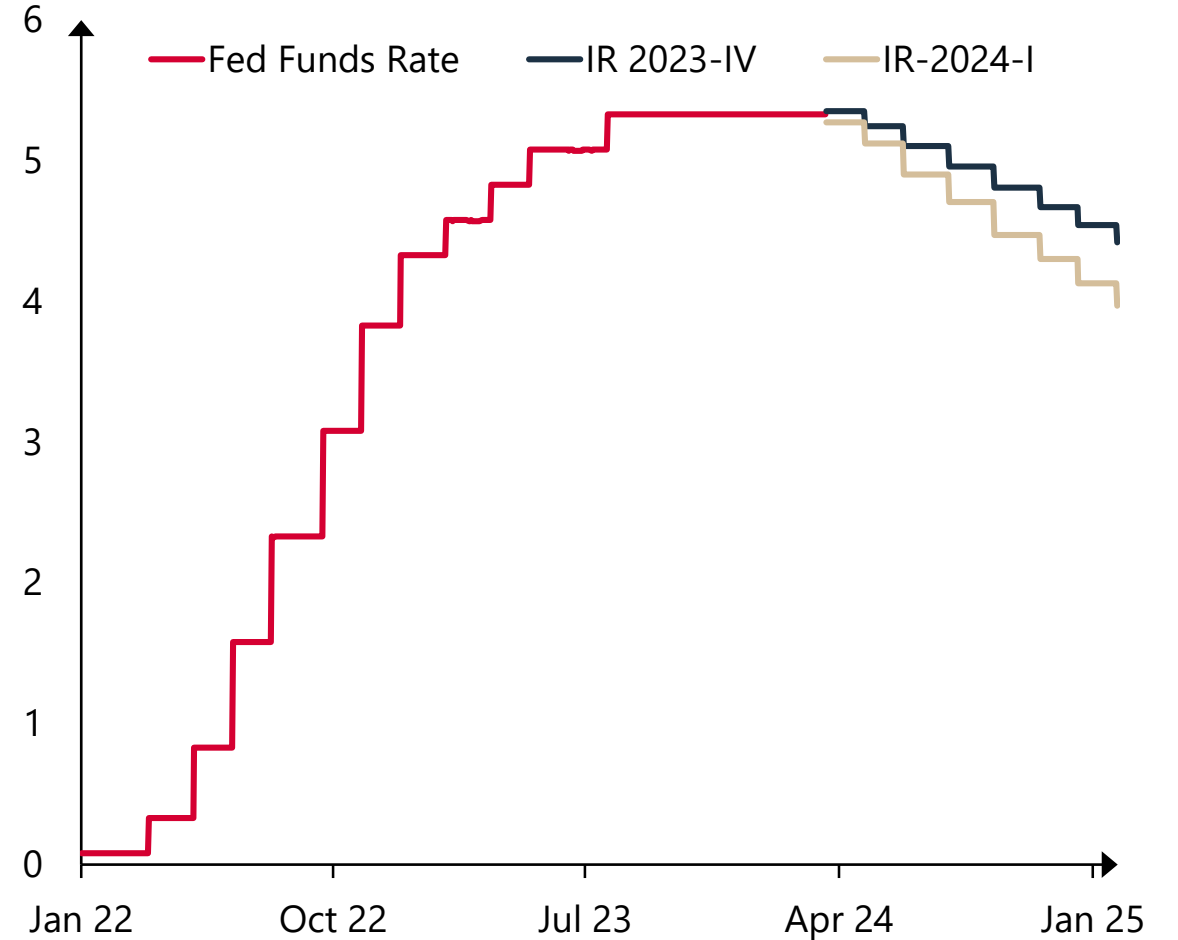


# Central banks maintain monetary tightness.

## Policy Rates\*

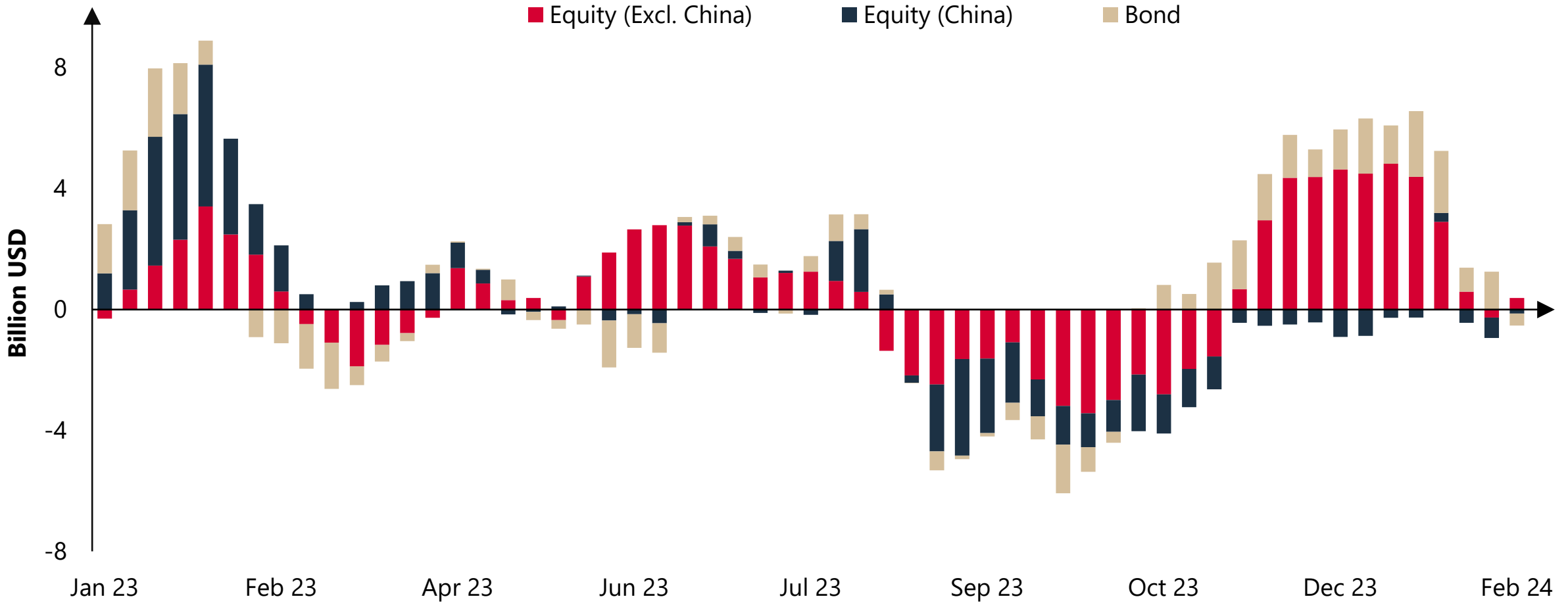


## Futures Implied Fed Funds Rate (Effective, %)



# Portfolio inflows to emerging markets have increased in the recent period.

## Portfolio Flows\*

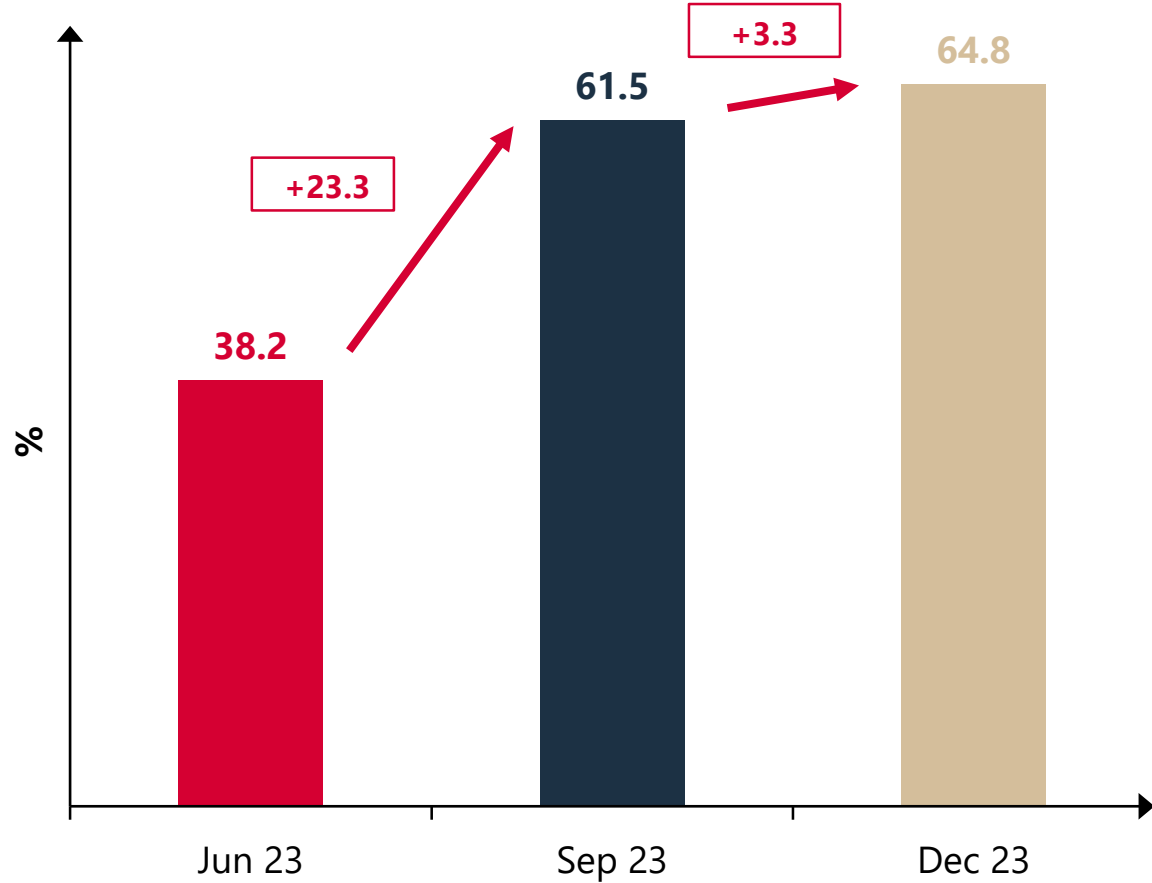




# INFLATION

# Annual inflation posted a limited increase in the last quarter, as forecasted.

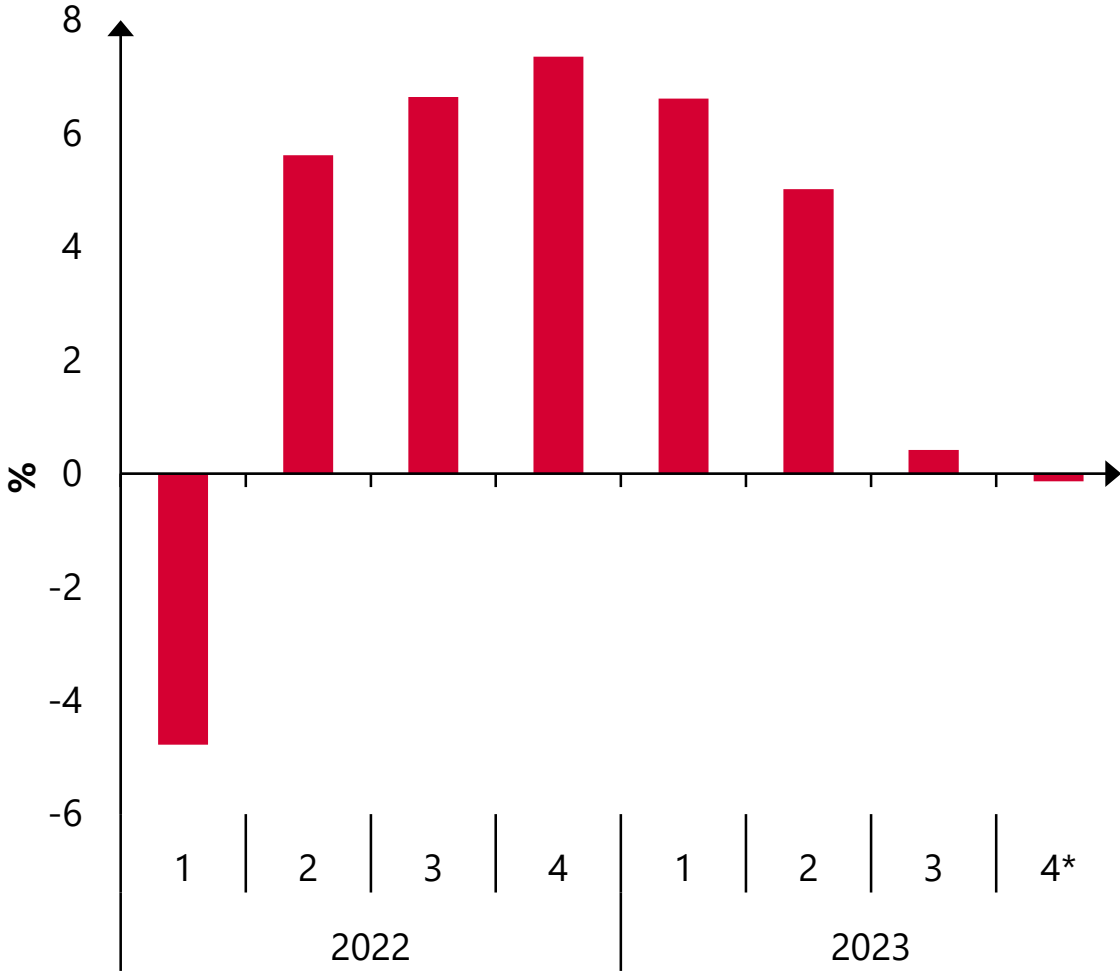
## Annual Inflation



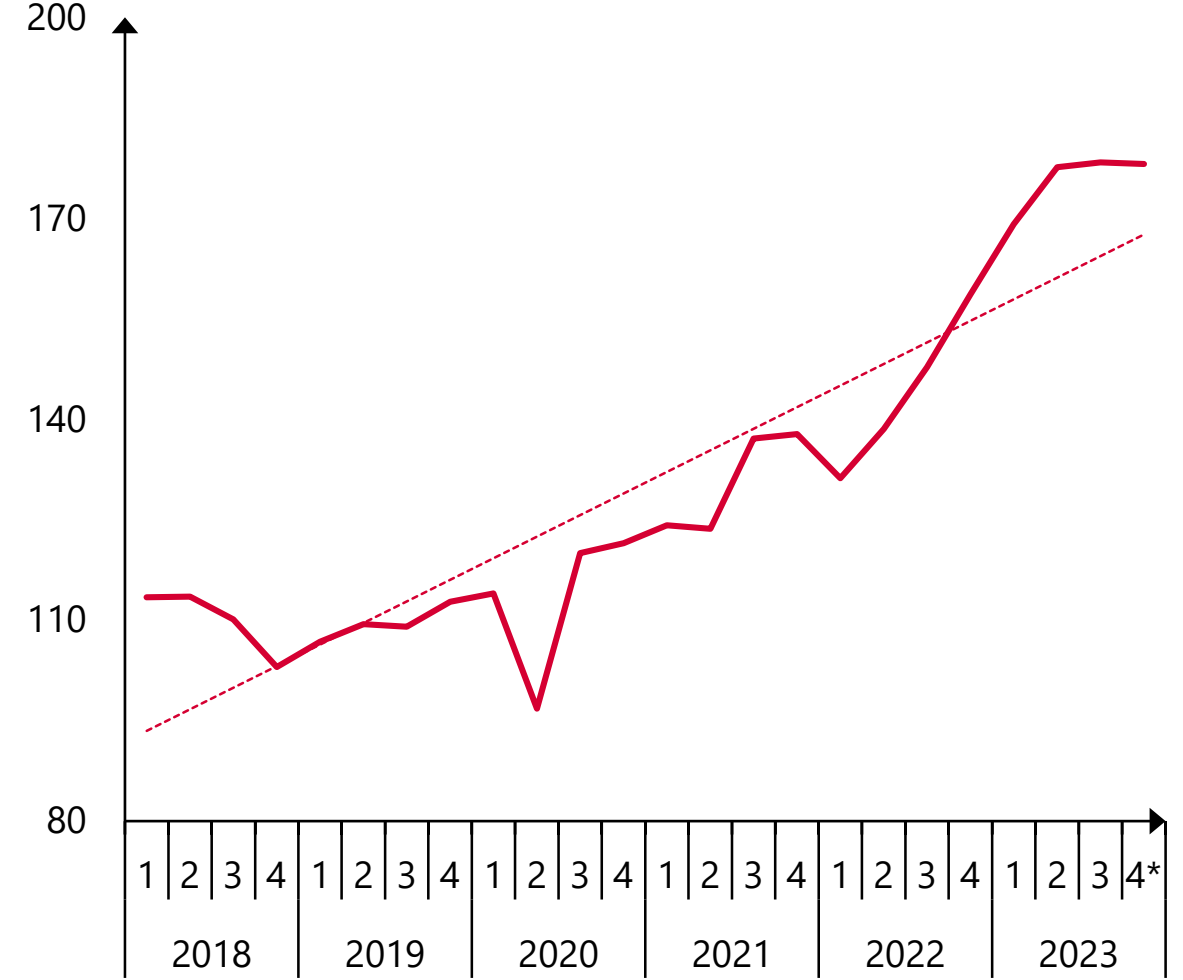
Contributions to the Increase in September-December Inflation	
Driver of Inflation	Contribution (Points)
Natural Gas (Excessing the 25 m <sup>3</sup> free-of-charge consumption limit)	2.4
Fuel-Oil (Exc. Exchange Rate, Indirect Effects)	1.2
<b>Demand</b>	<b>-1.0</b>
Exchange Rate	0.9
Other*	0.3
Unprocessed Food, Alcohol-Tobacco (Exc. Tax and Fuel)	-0.5
<b>Total</b>	<b>3.3</b>

# Consumption growth has been slowing down amid monetary tightening.

Retail Sales Volume Index\*  
(Seasonally Adjusted, Quarterly Change)

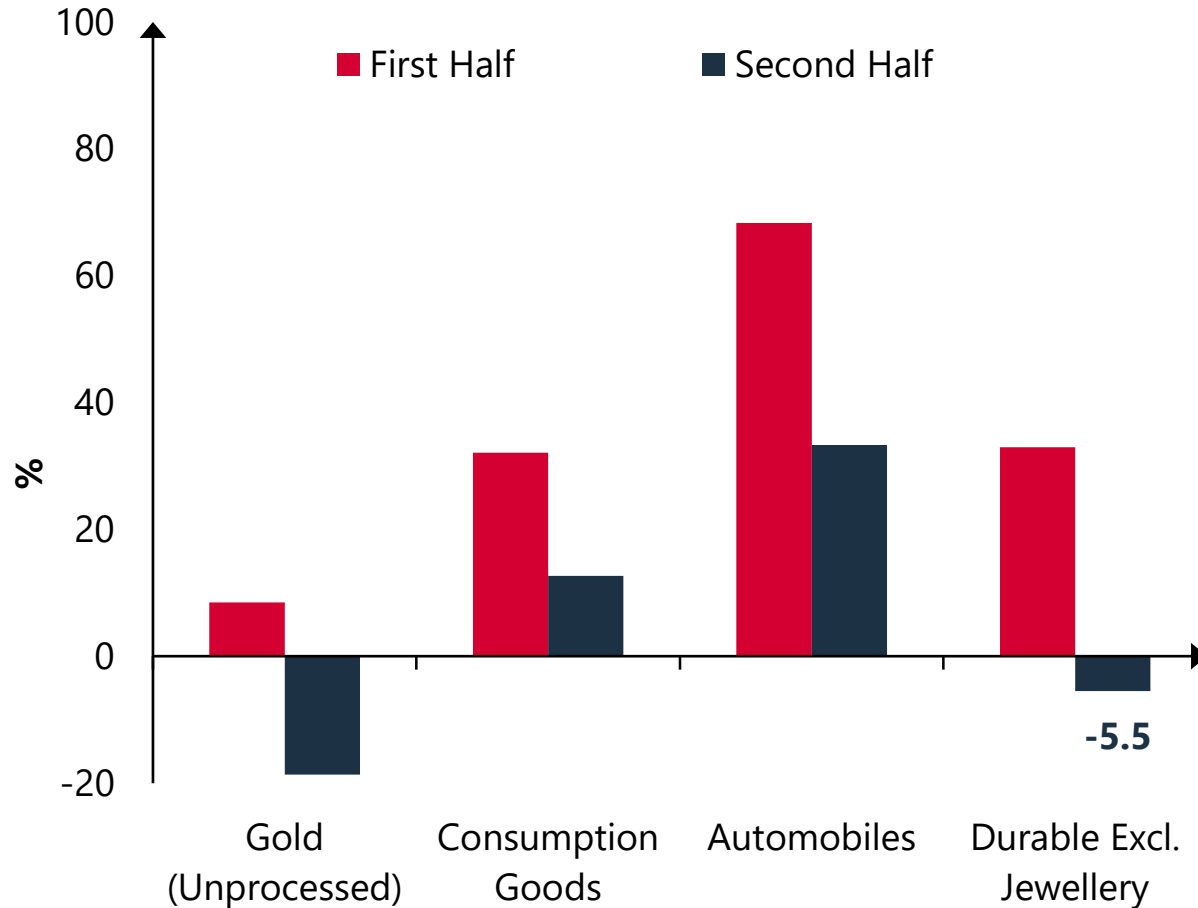


Retail Sales Volume Index\*  
(Seasonally Adjusted, 2015=100)

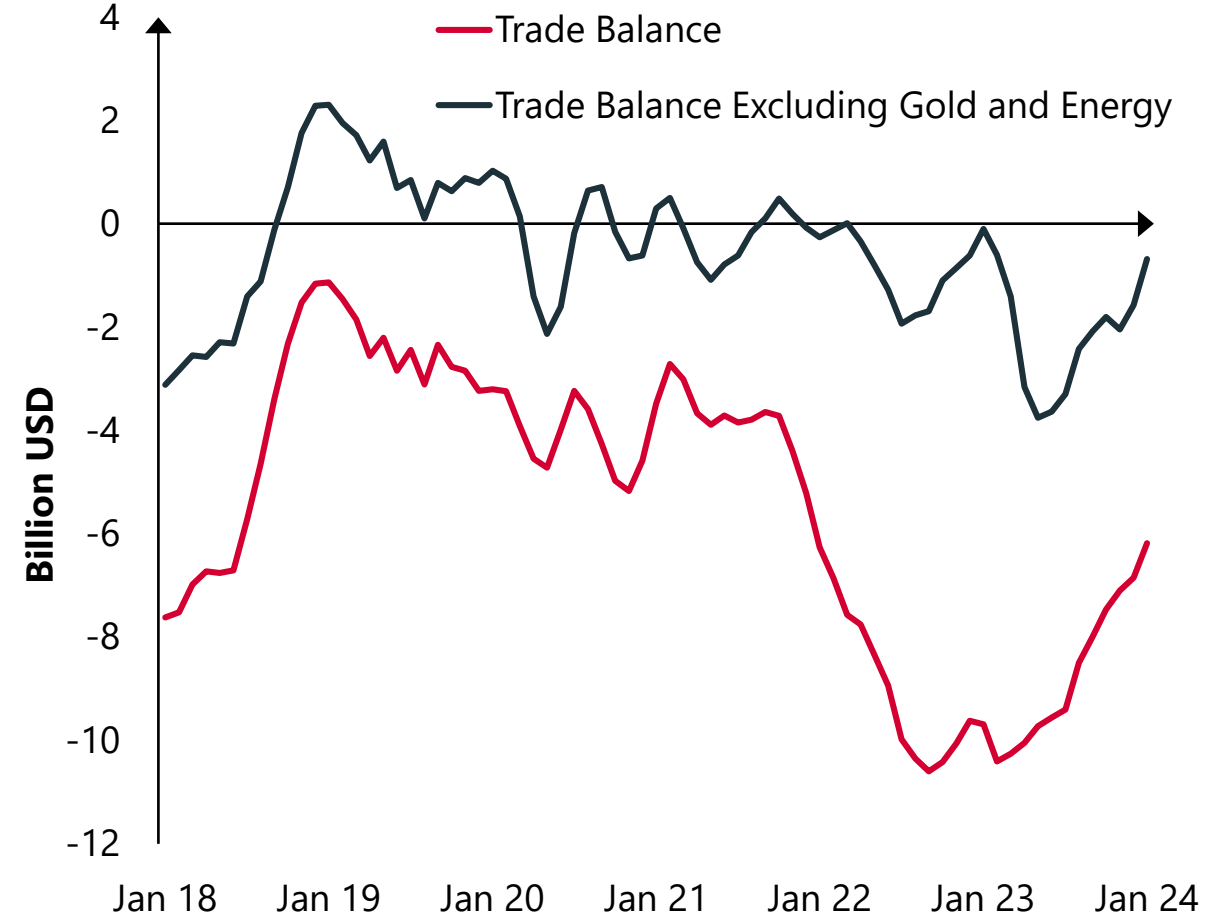


# Import demand and trade deficit are declining.

**Imports\***  
(2023, Seasonally Adjusted, Nominal, Semi-Annual Change)

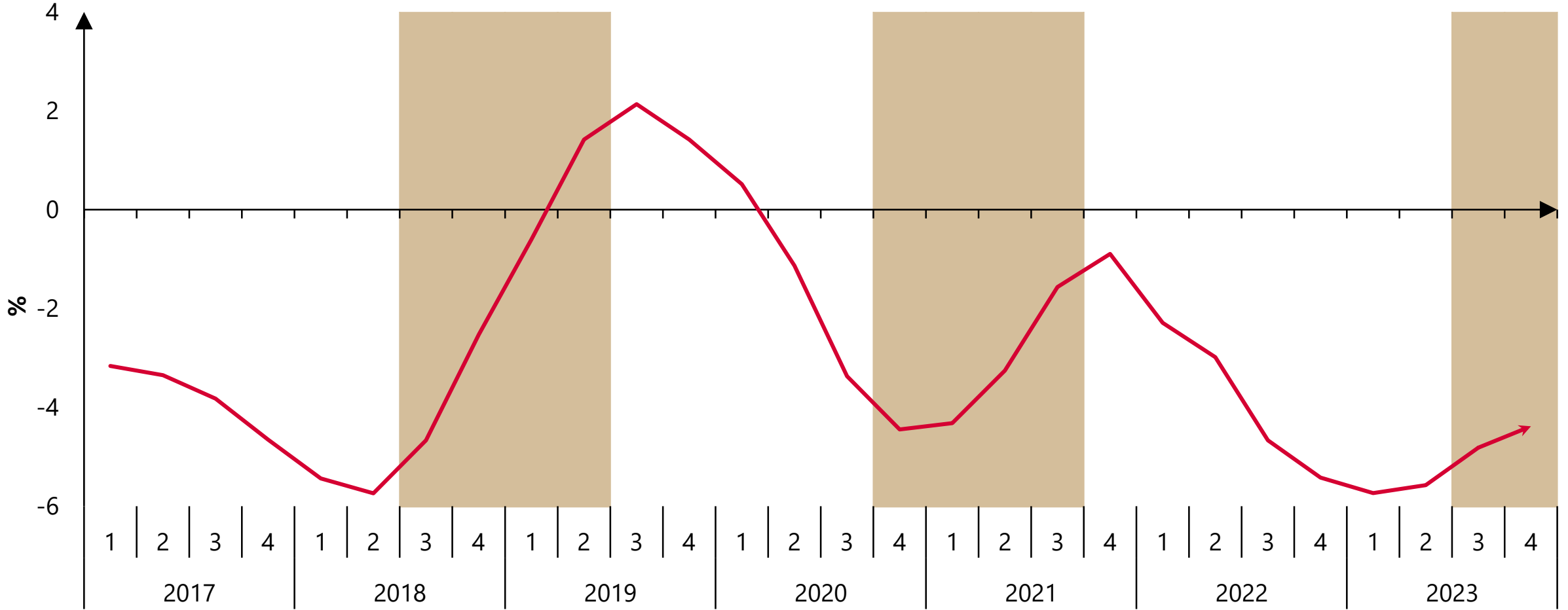


**Monthly Trade Balance\*\***  
(Seasonally Adjusted, 3-Month Moving Average)



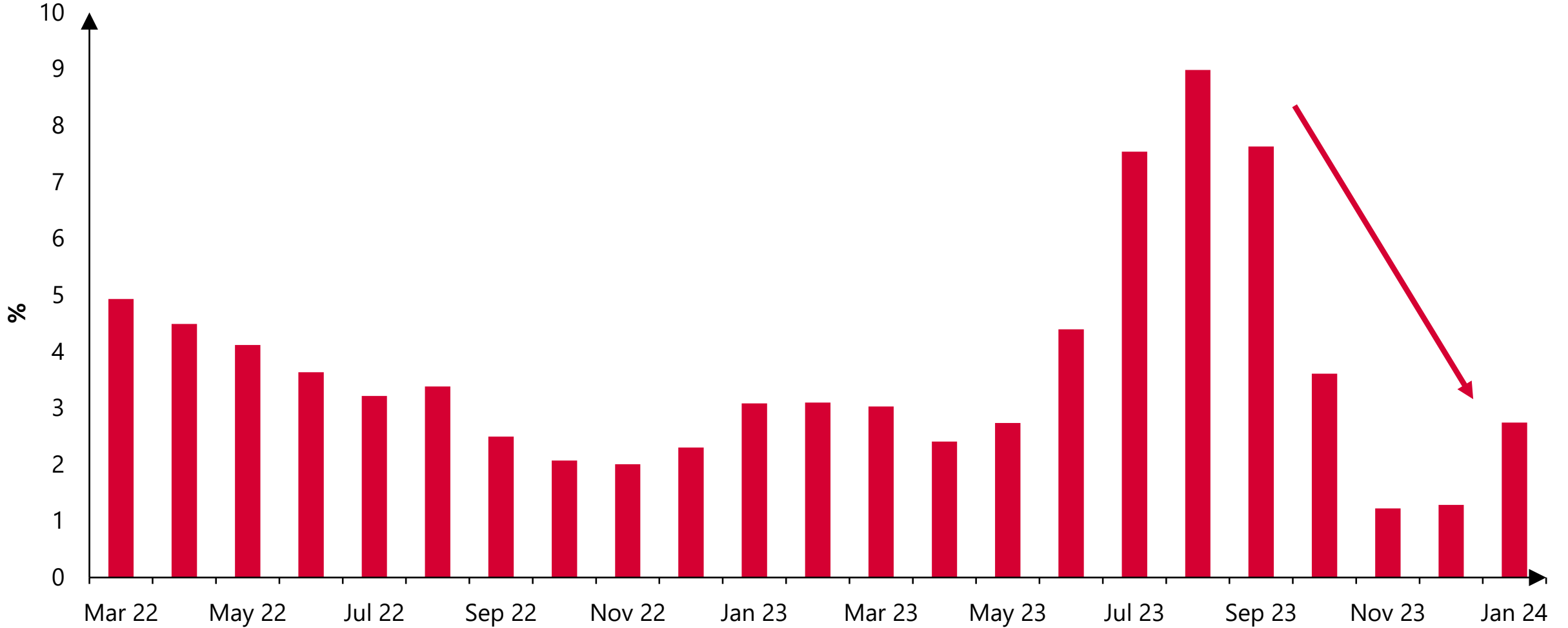
# Normalization in demand has a positive impact on the current account balance.

Current Account Balance/GDP\*



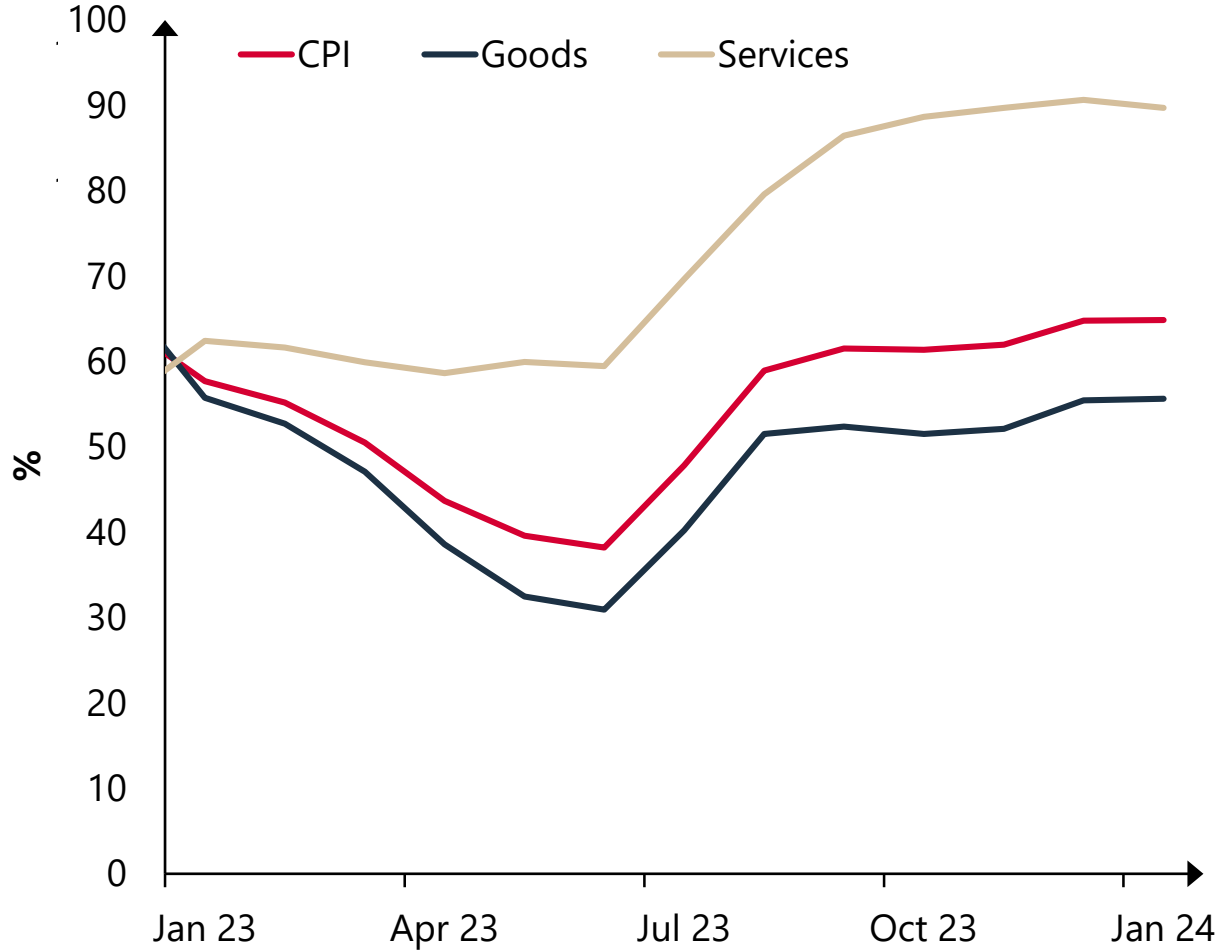
# Prices of durable goods respond to monetary tightening.

Prices of Durable Goods (Excluding Gold)  
(3 Months Average % Change\*)

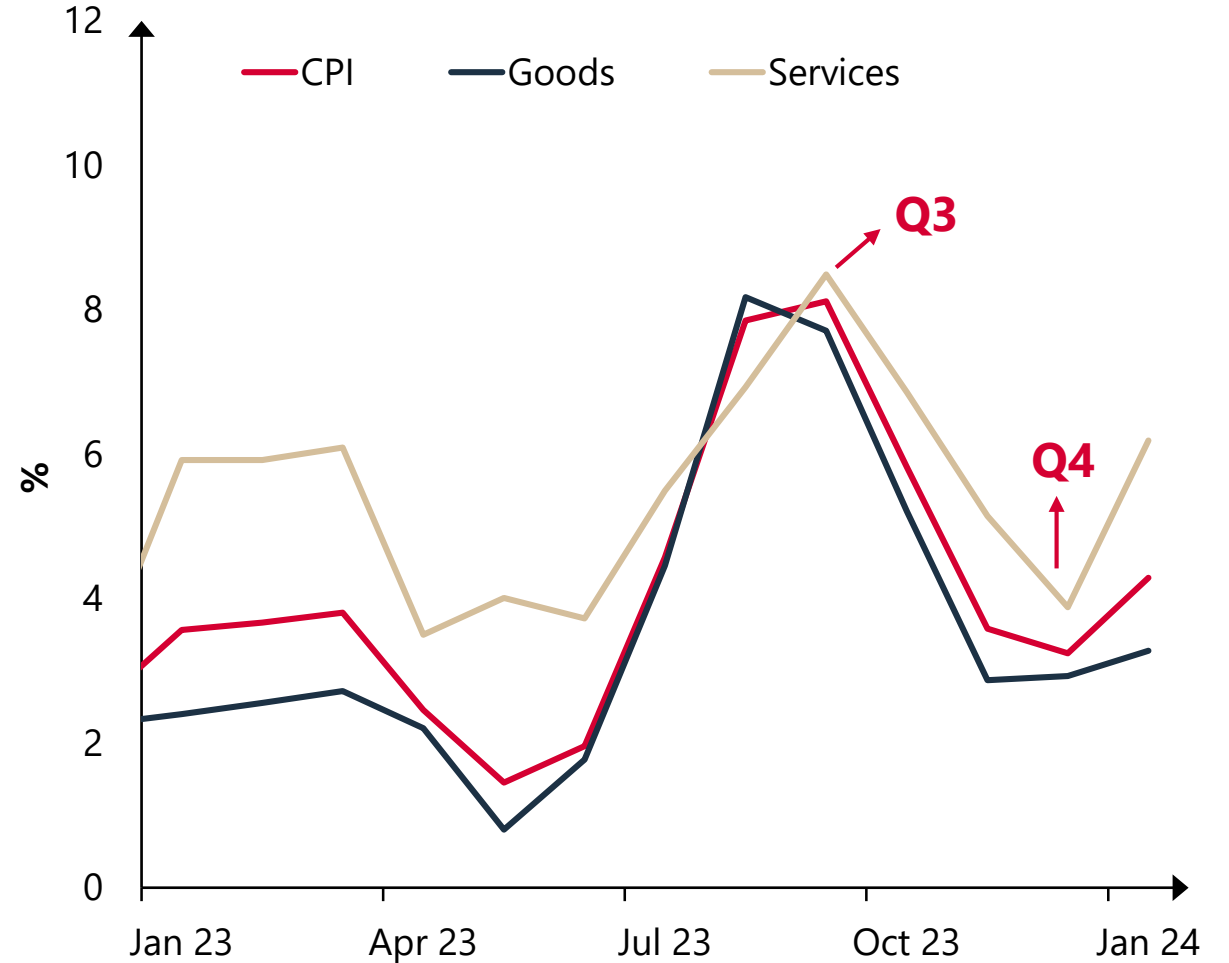


# Although services inflation has slowed down, its inertia remains.

Price Index  
(Annual % Change)

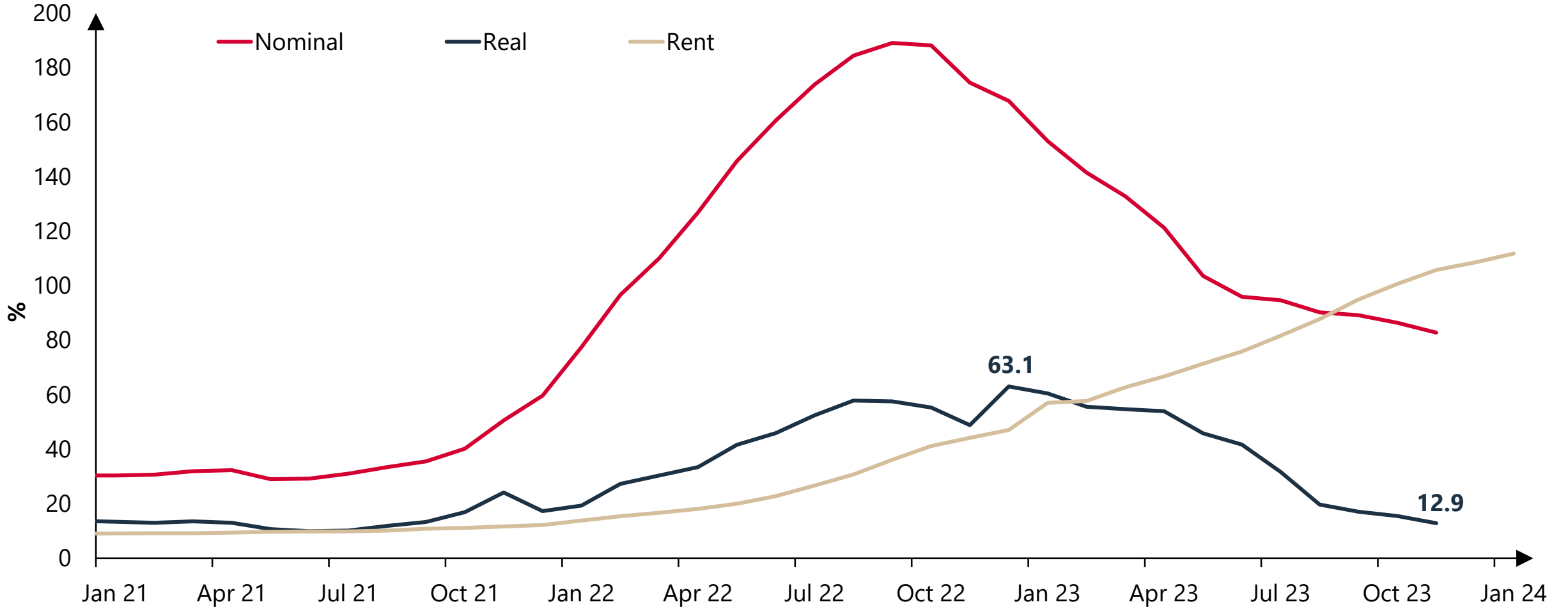


Price Index  
(Seasonal Adjusted, 3 Month Average % Change)



# Inflation in house prices is slowing down.

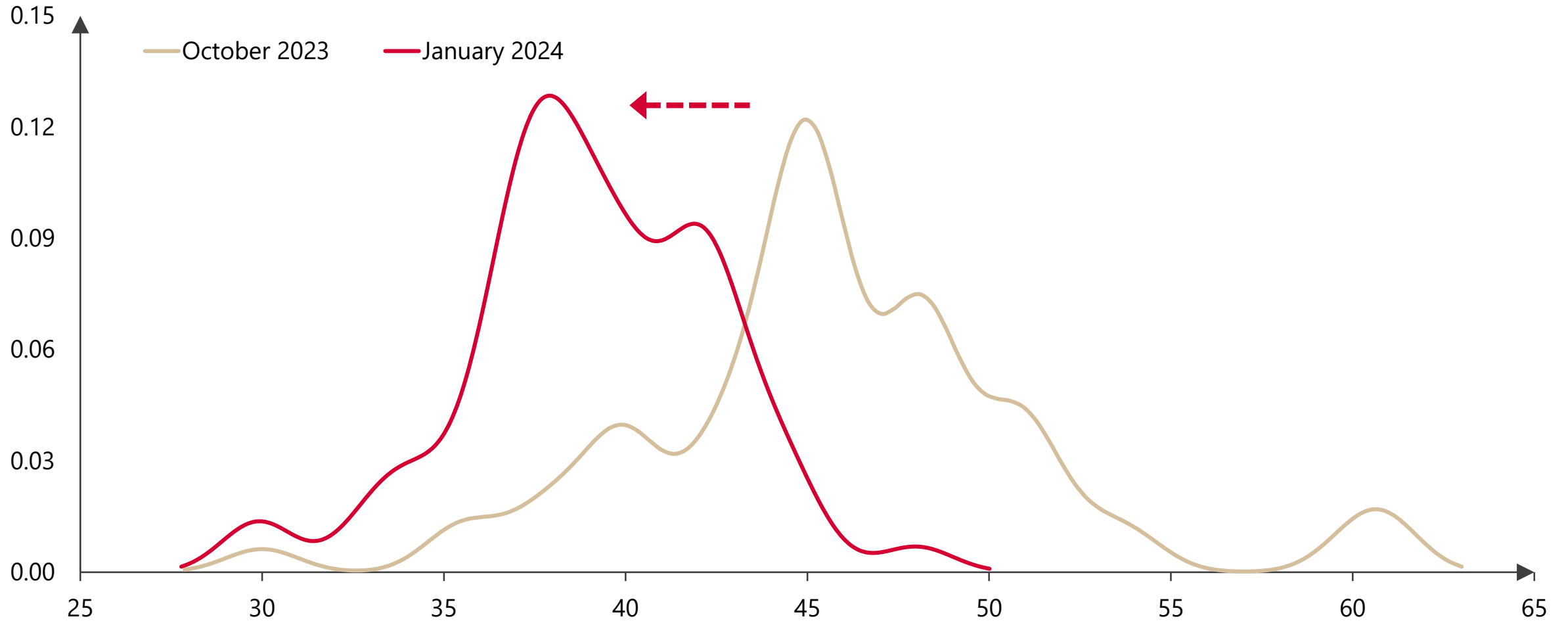
House and Rent Price Index  
(Annual % Change)\*





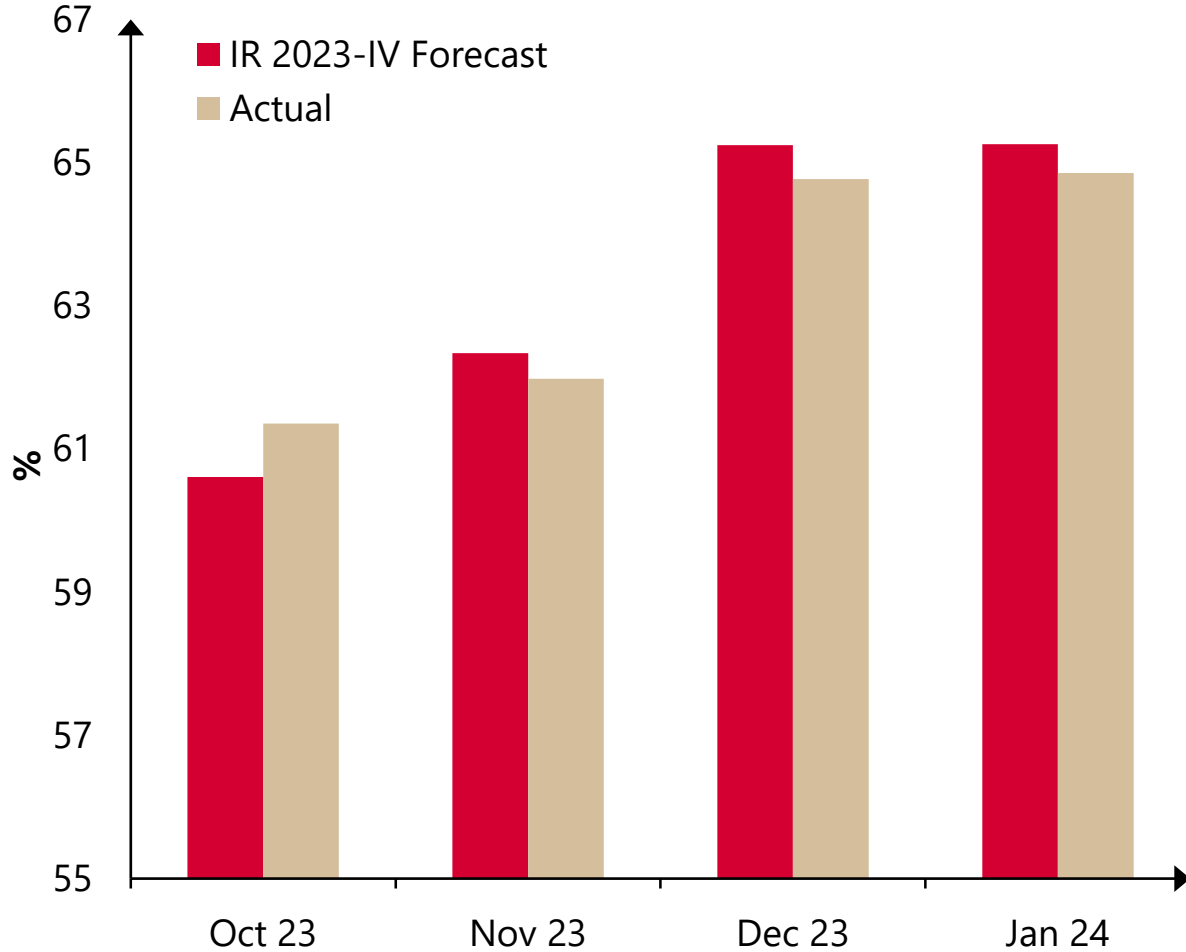
# The level and distribution of inflation expectations have improved significantly.

## 12-Month Ahead Annual CPI Inflation Expectations

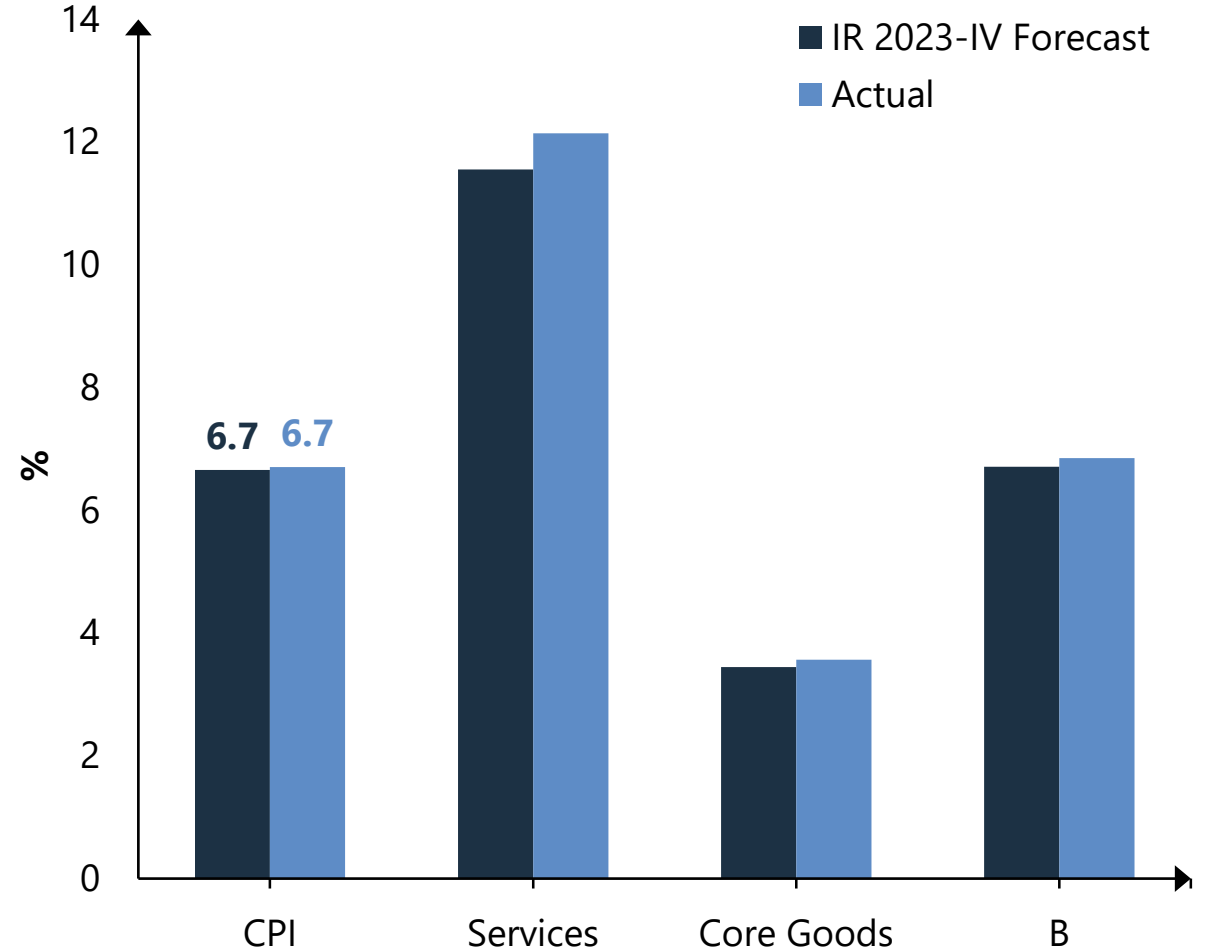


# Consumer inflation is in line with previous Inflation Report forecasts.

### Comparison of Actual and Forecast (Annual % Change)

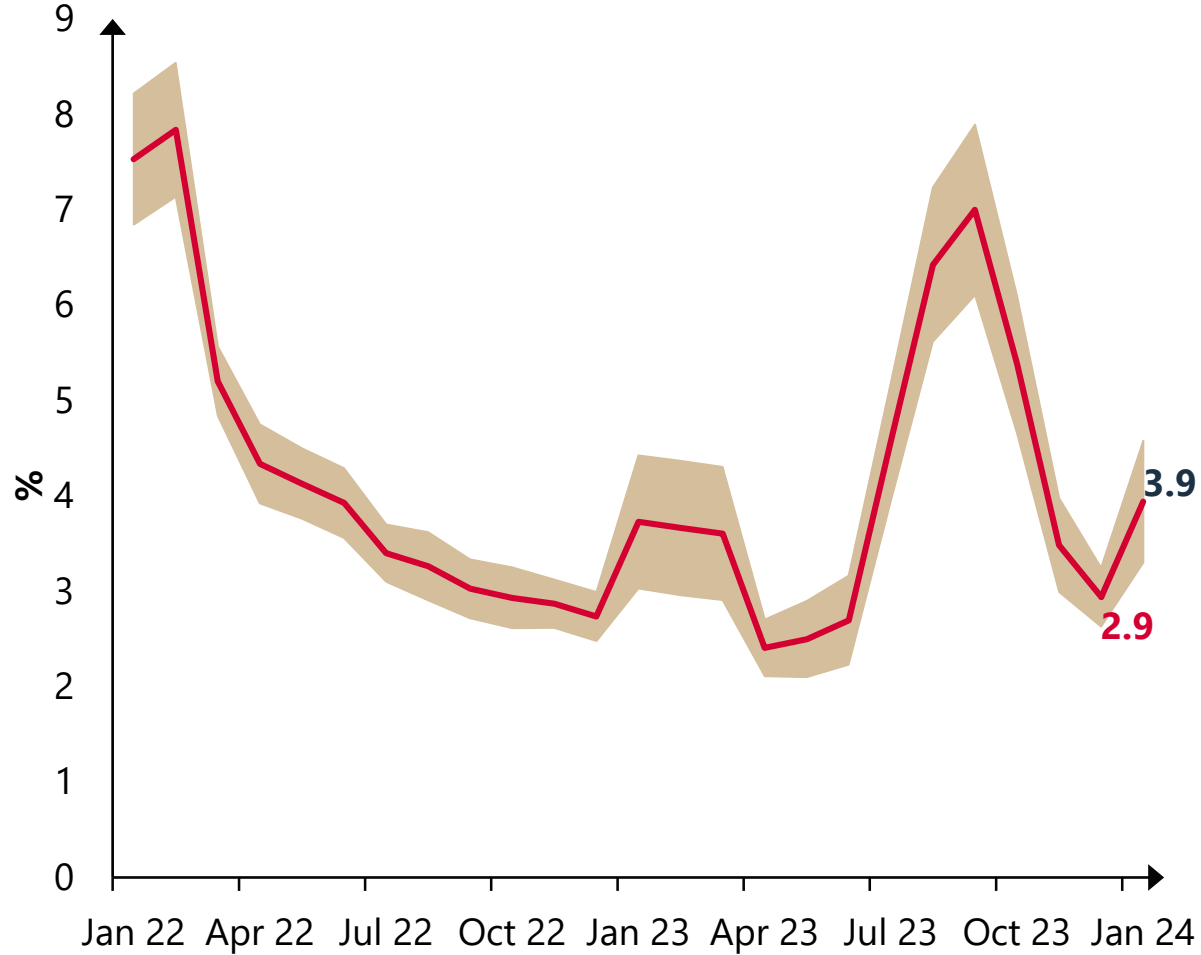


### Comparison of Actual and Forecast in January (Monthly % Change)



# Underlying trend of inflation has declined faster than forecasted.

**Underlying Inflation Indicators  
(3-Month Average % Change)\***

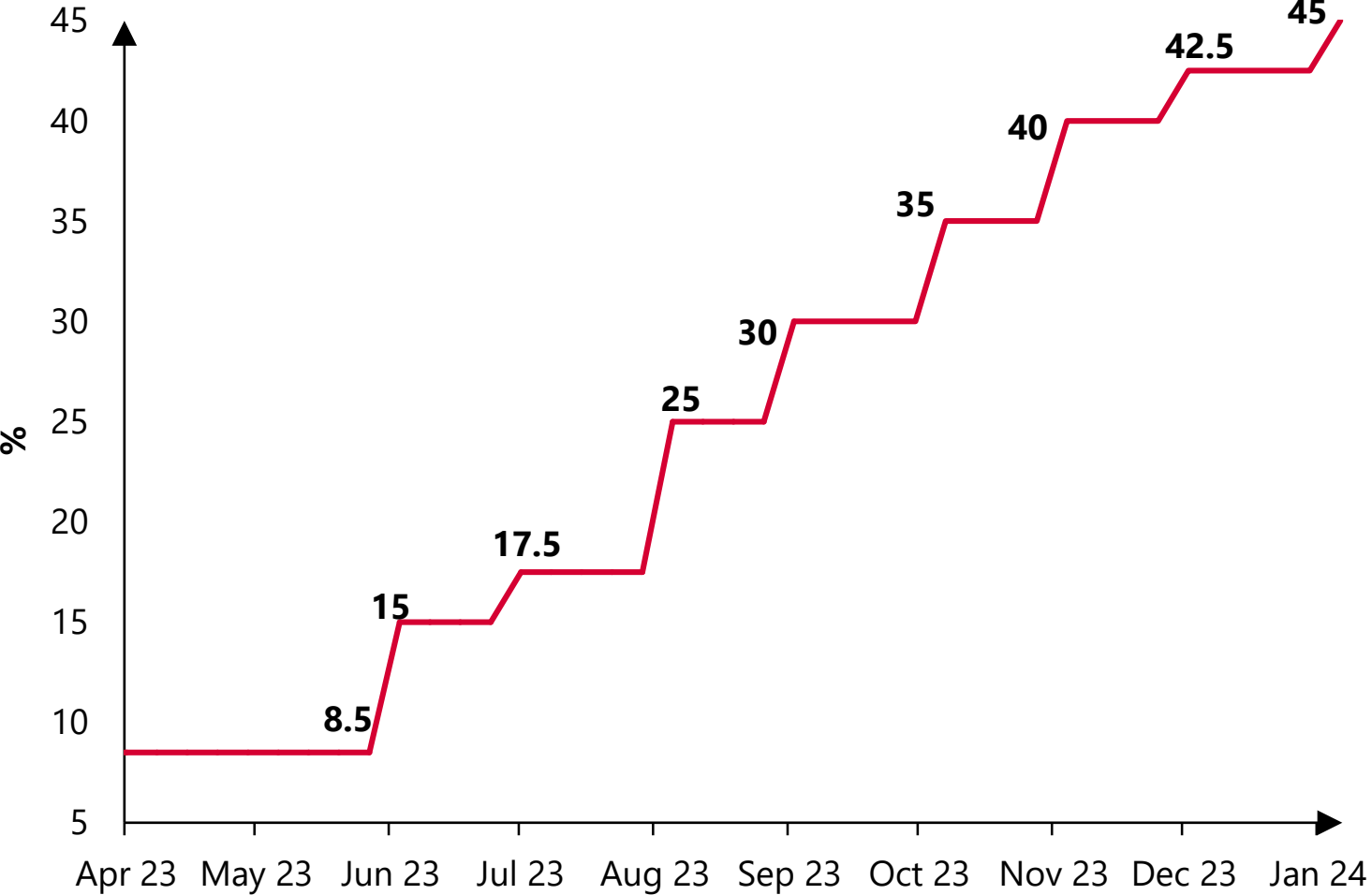


	Monthly Inflation (%, Seasonally Adjusted 3-Month Averages)					
	2023 IR-IV	Actual	2023 IR-IV	Actual	2023 IR-IV	Actual
	CPI		B		C	
Oct.23	6.0	5.8	5.7	5.9	5.4	5.7
Nov.23	4.1	3.6	3.7	3.6	3.8	3.6
Dec.23	3.8	3.2	3.2	2.8	3.5	3.0
Jan.24	4.3	4.3	4.7	4.2	5.3	4.6
	Average of January					
	Forecast: 4.8			Actual: 4.4		

# MONETARY POLICY

# The monetary tightening process is strengthened with a holistic approach.

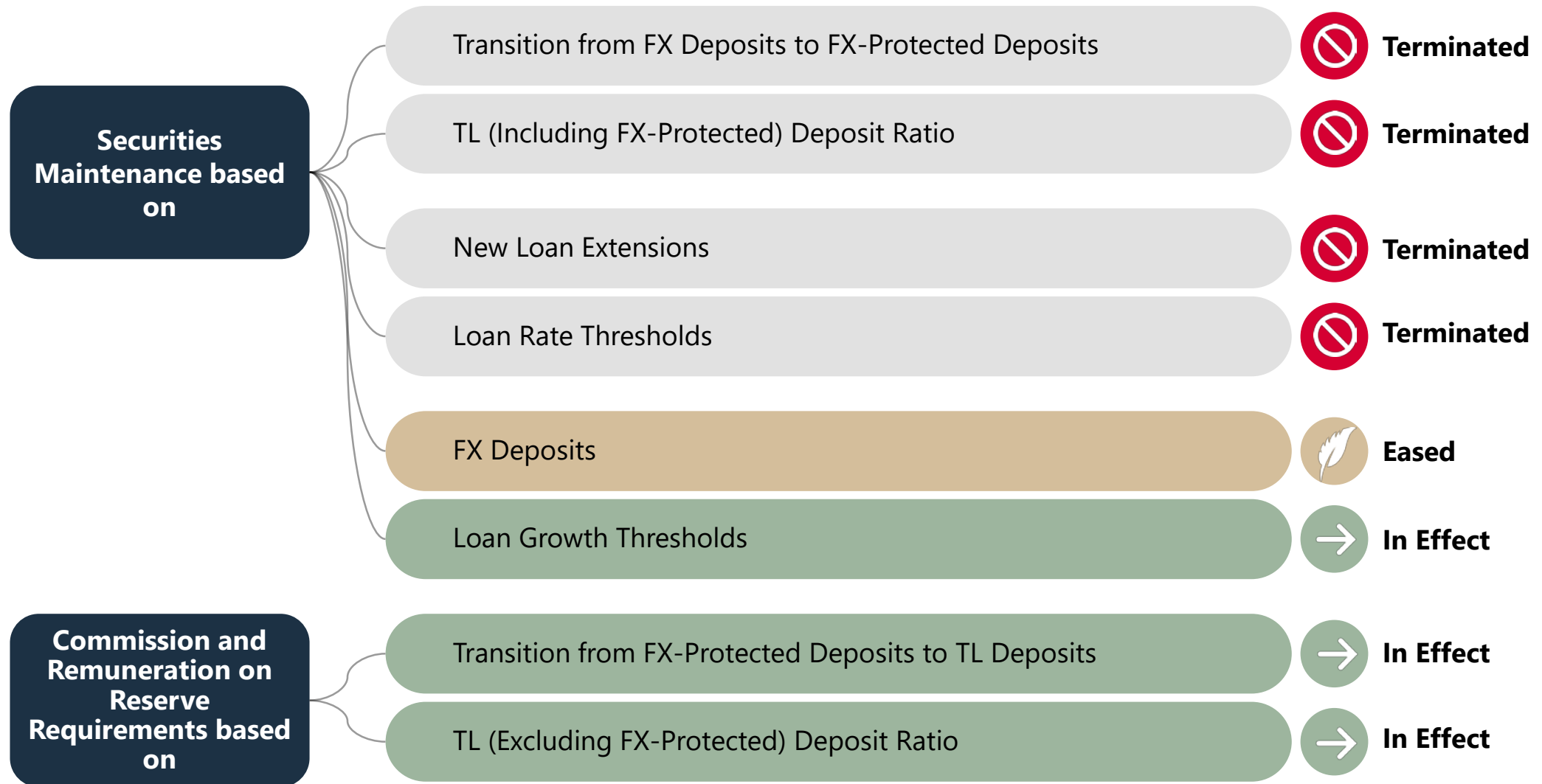
Policy Rate\*



**Quantitative Tightening**

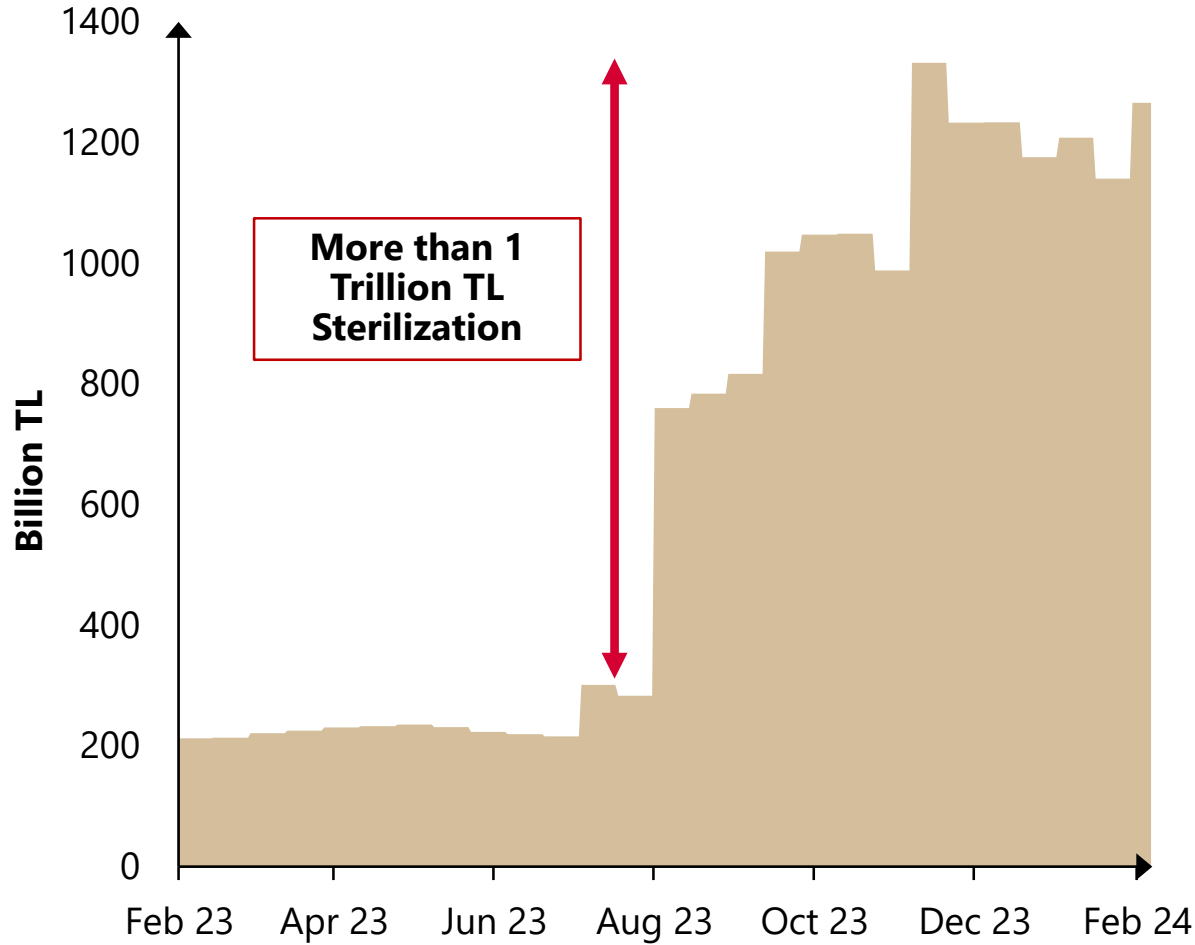
**Macroprudential Framework**

# An important progress has been made in the simplification of macroprudential framework.

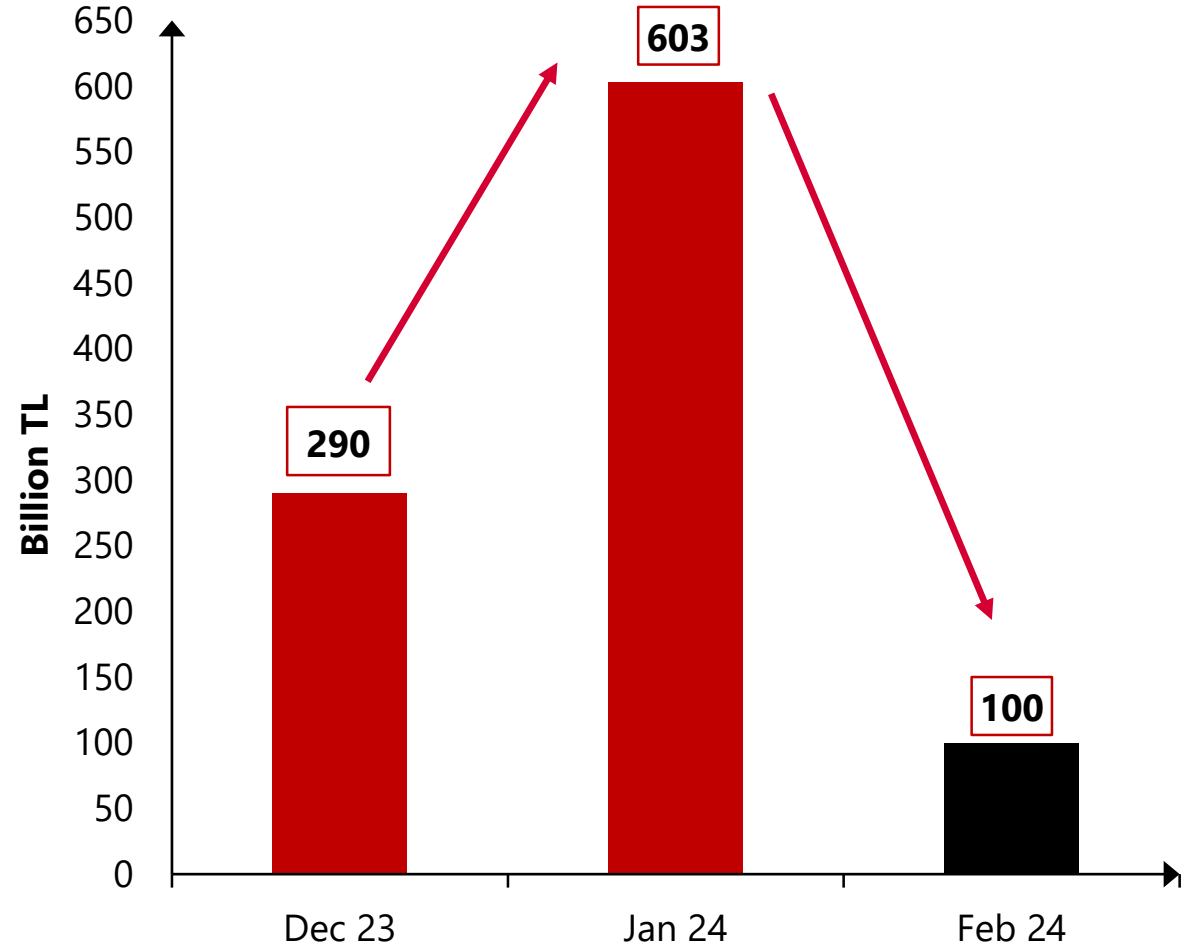


# Excess liquidity is being sterilized through quantitative tightening steps.

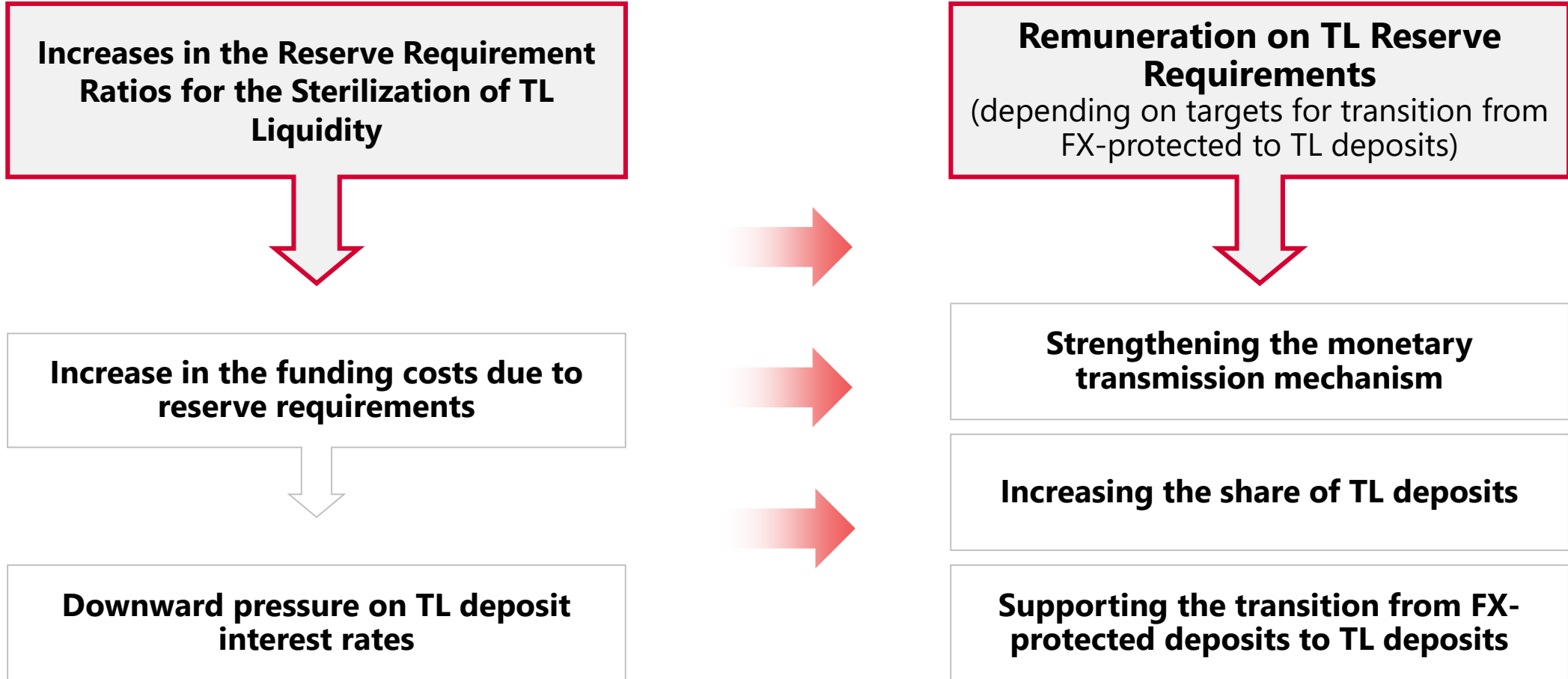
## Required Reserves



## Turkish Lira Deposit Purchase Auctions (Outstanding)



# The last reserve requirement step aims to support Turkish lira deposits.





**The current level of policy interest rate will be maintained as long as needed.**

**Until the underlying trend of monthly inflation shows a significant decline**

- Underlying trend indicators
- Domestic demand and import indicators
- Financial conditions indicators

**Until inflation expectations converge to the projected forecast range**

- Broad measures of inflation expectations

Inflation expectations

Price setting behaviors

**If a significant deterioration in the inflation outlook is foreseen, monetary tightness will be reassessed.**

General wage adjustments

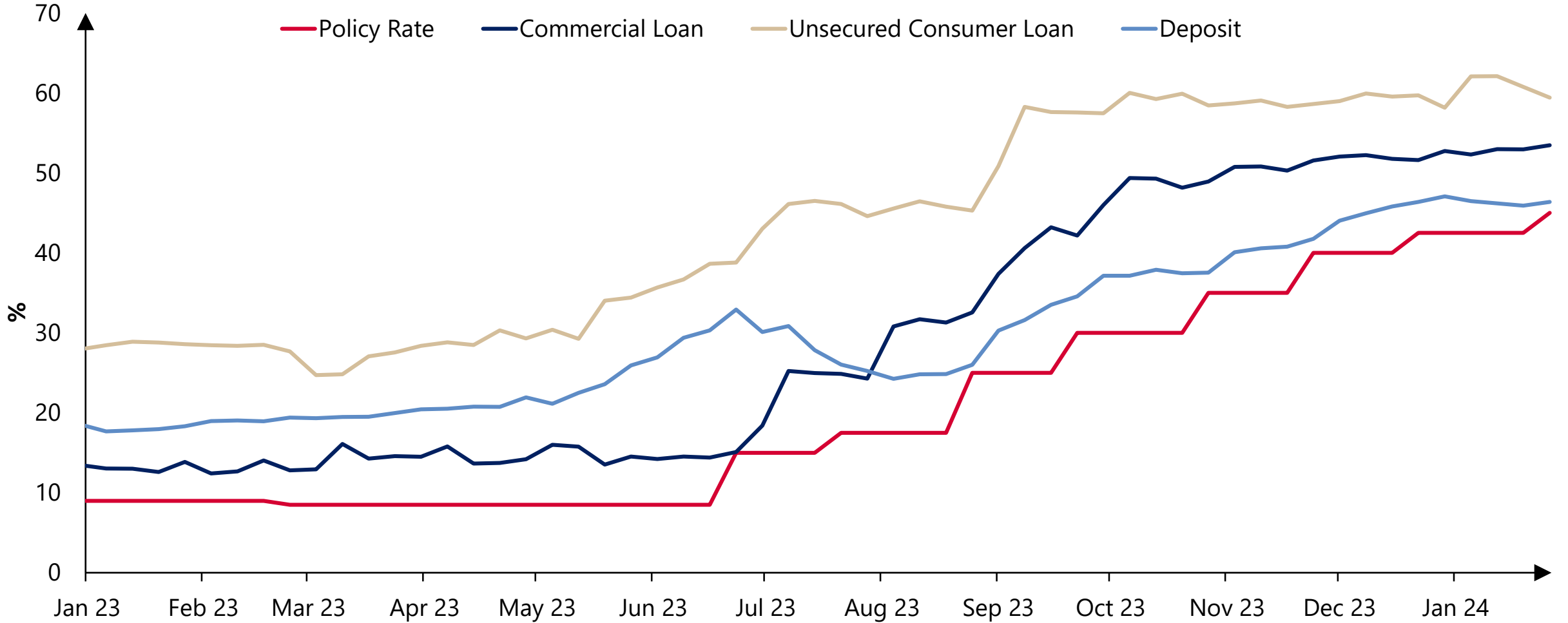
Private consumption outlook

Public spending and tax policy

# FINANCIAL CONDITIONS

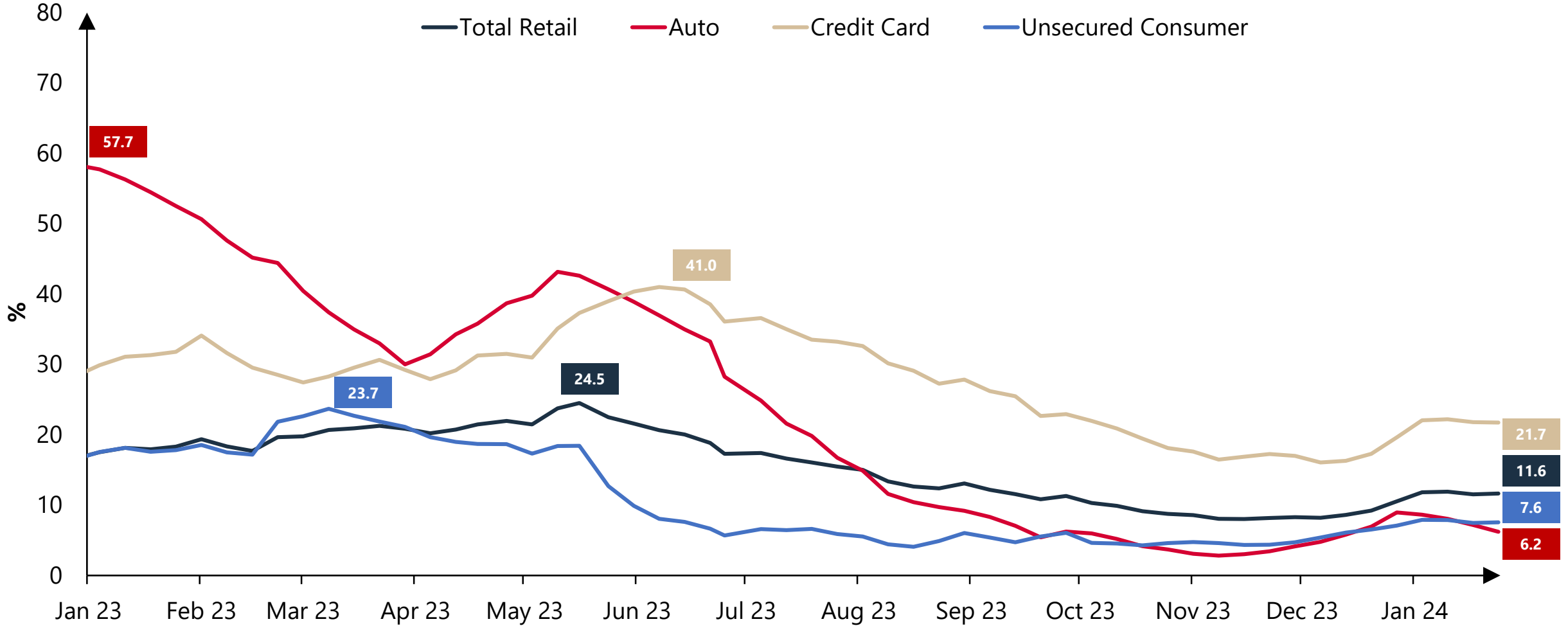
# Financial conditions have tightened following the policy rate hikes.

## Interest Rates\*



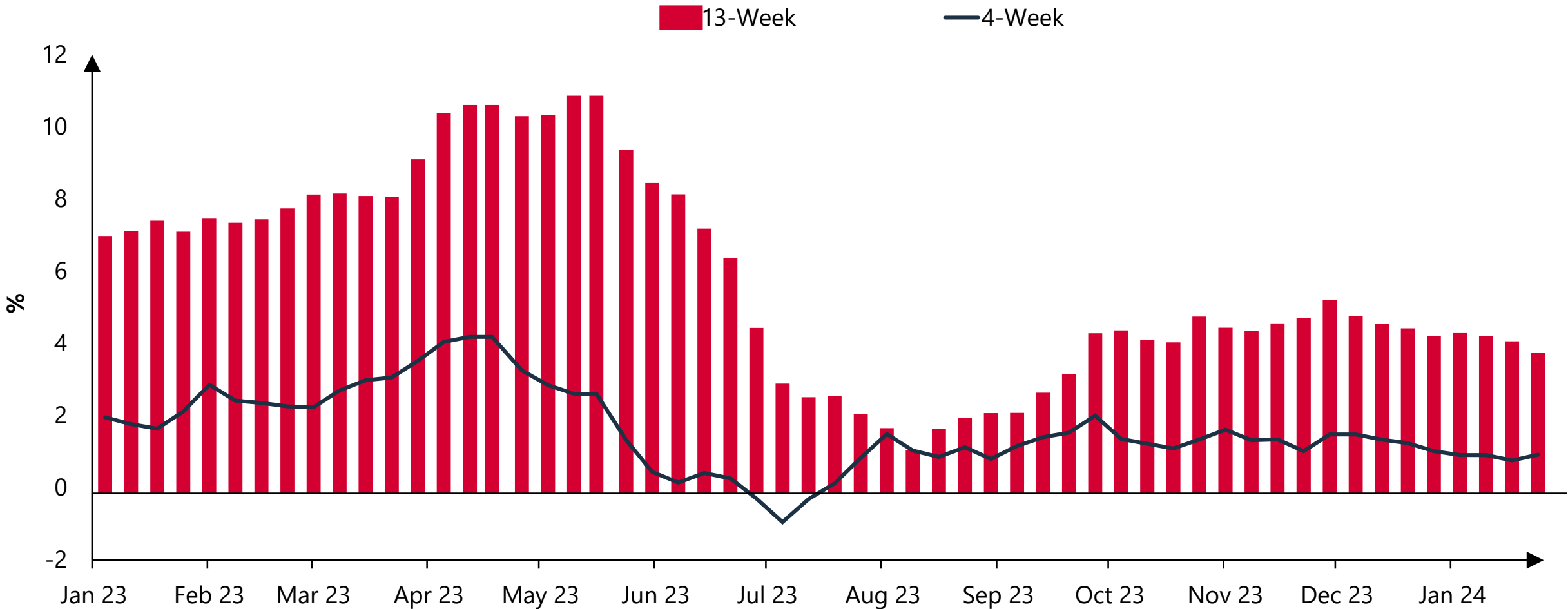
# The rebalancing process in retail loan growth is closely monitored.

Loan Growth\*  
(13 Week)



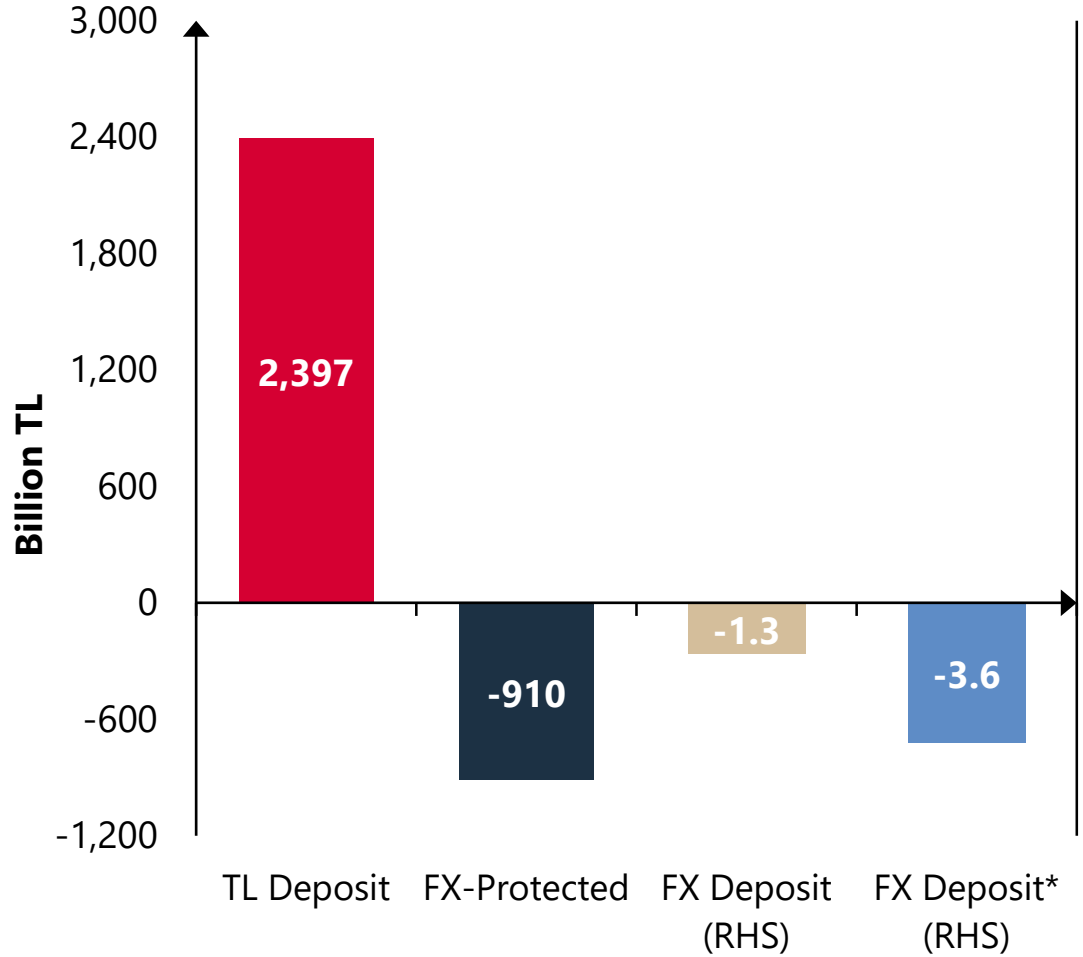
# Commercial loan growth follows a stable path.

Commercial Loan Growth\*  
(4 and 13 Week, FX Adjusted)

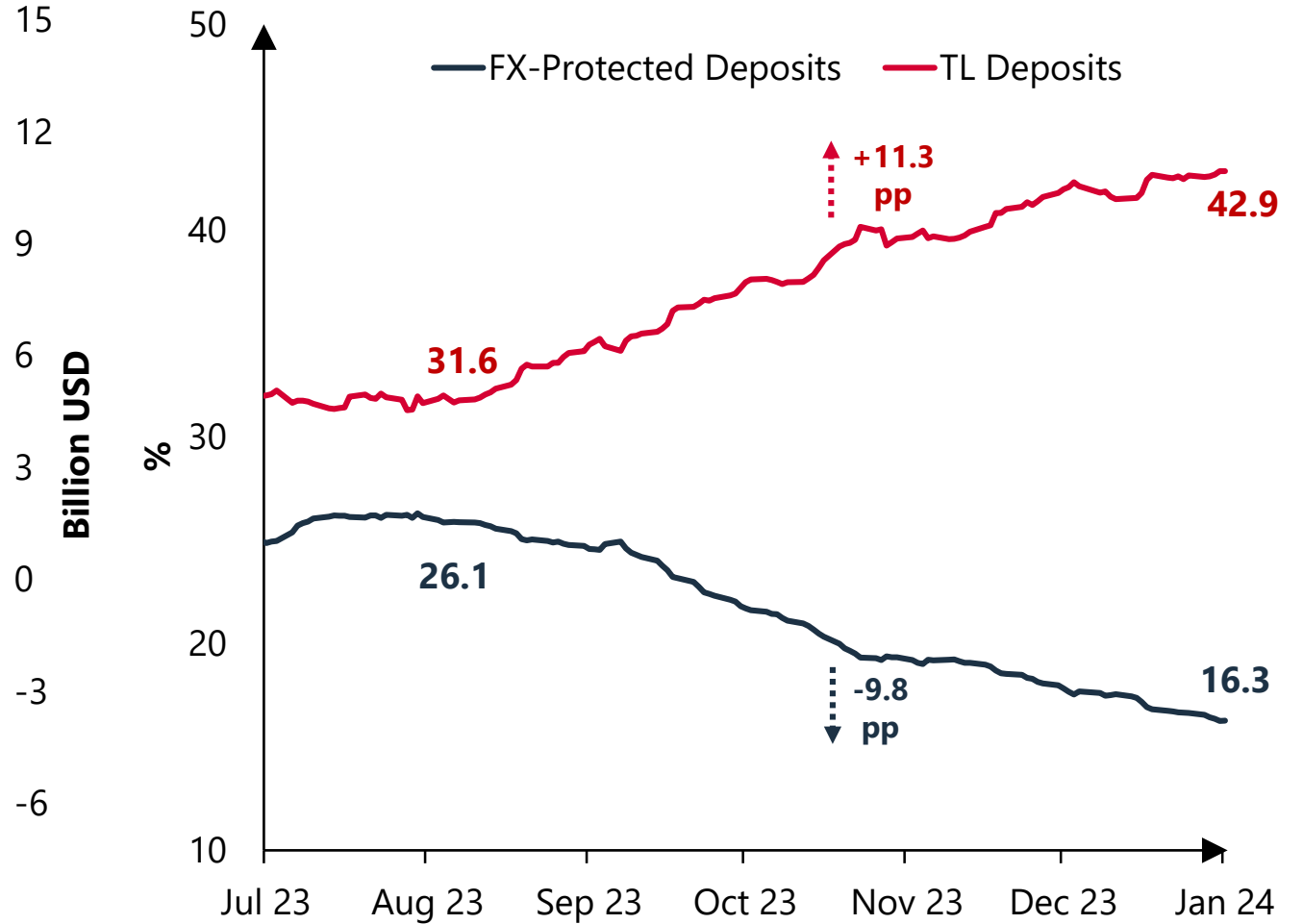


# Transition to Turkish lira deposits continues.

Change in Deposits (25 August-26 January)



Deposit Share



# Yield curve is shaping up in line with the monetary stance.

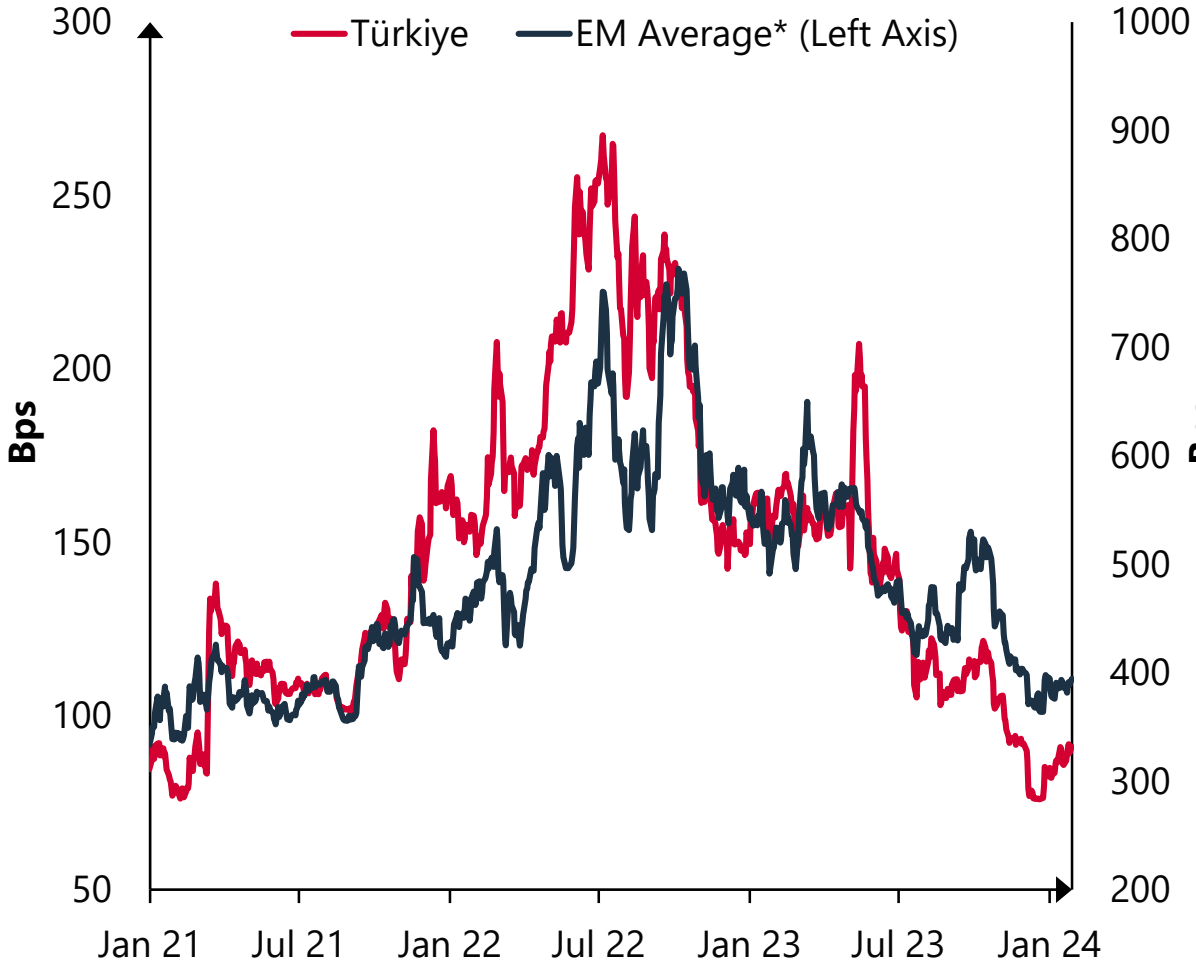
Yield Curve



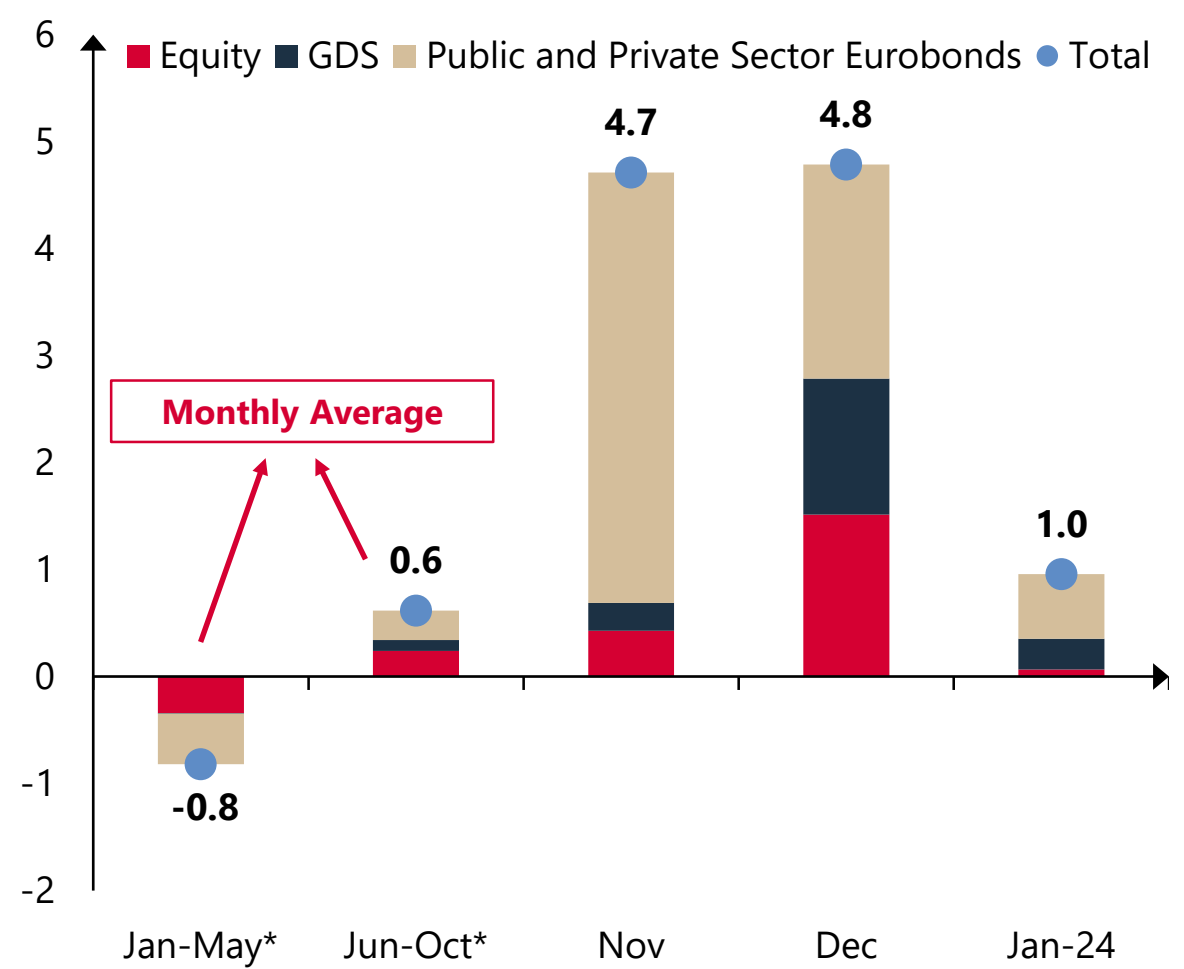


# Risk indicators have improved and capital inflows have continued.

5-Year CDS Premiums

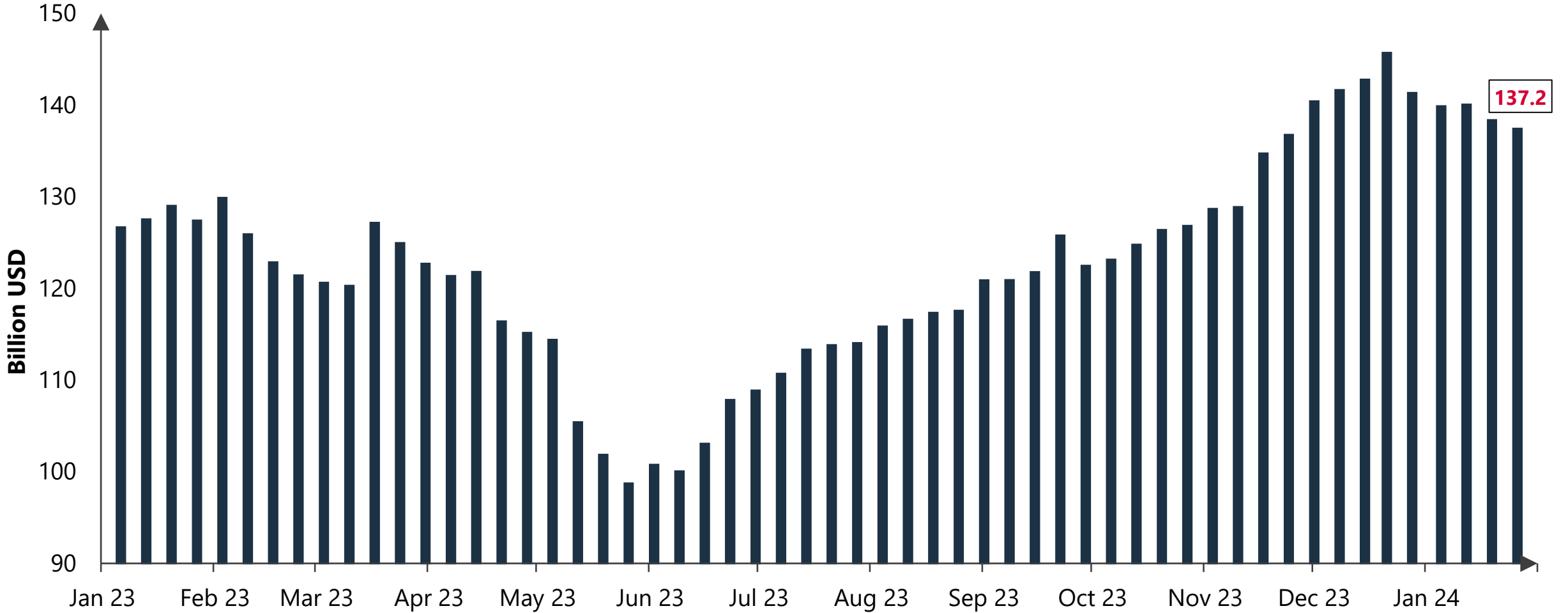


Capital Flows



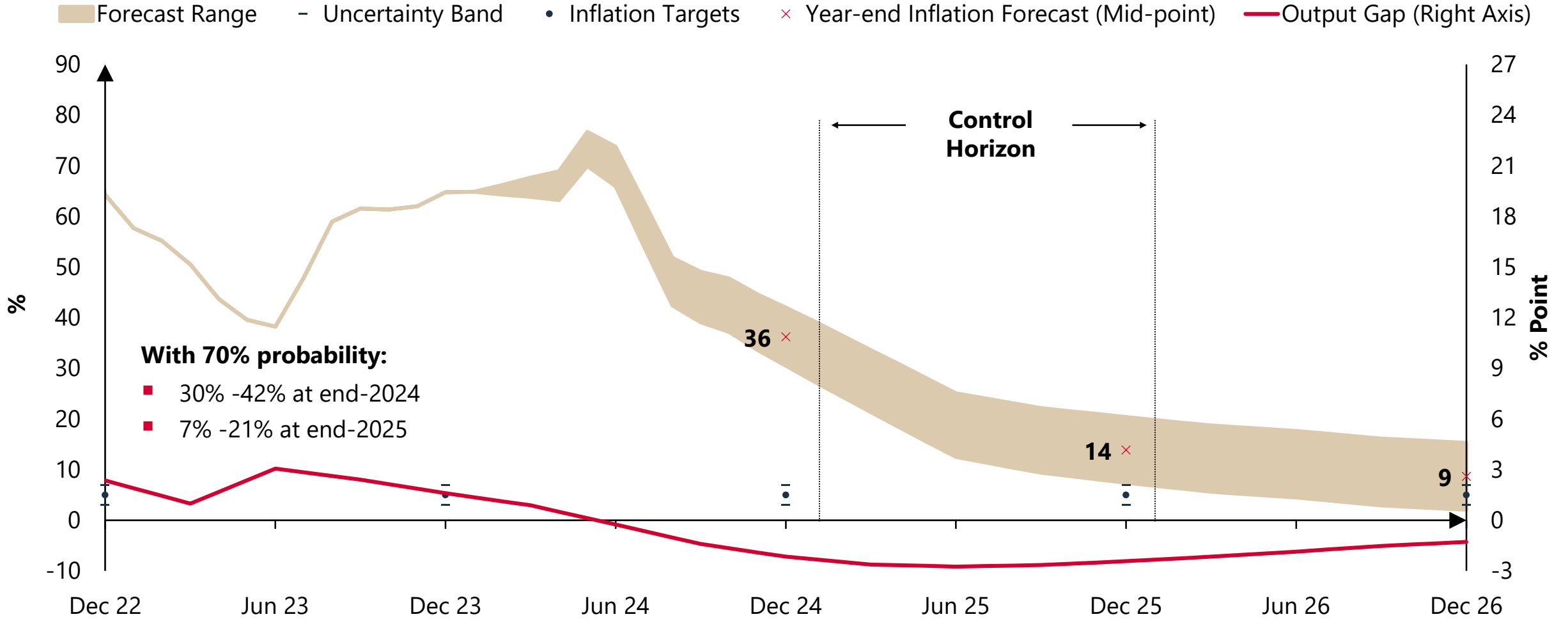
# Monetary tightening process has a positive impact on reserves.

## CBRT International Reserves\*



# MEDIUM TERM PROJECTIONS

# The year-end inflation forecasts are maintained at 36% for 2024, 14% for 2025 and 9% for 2026.

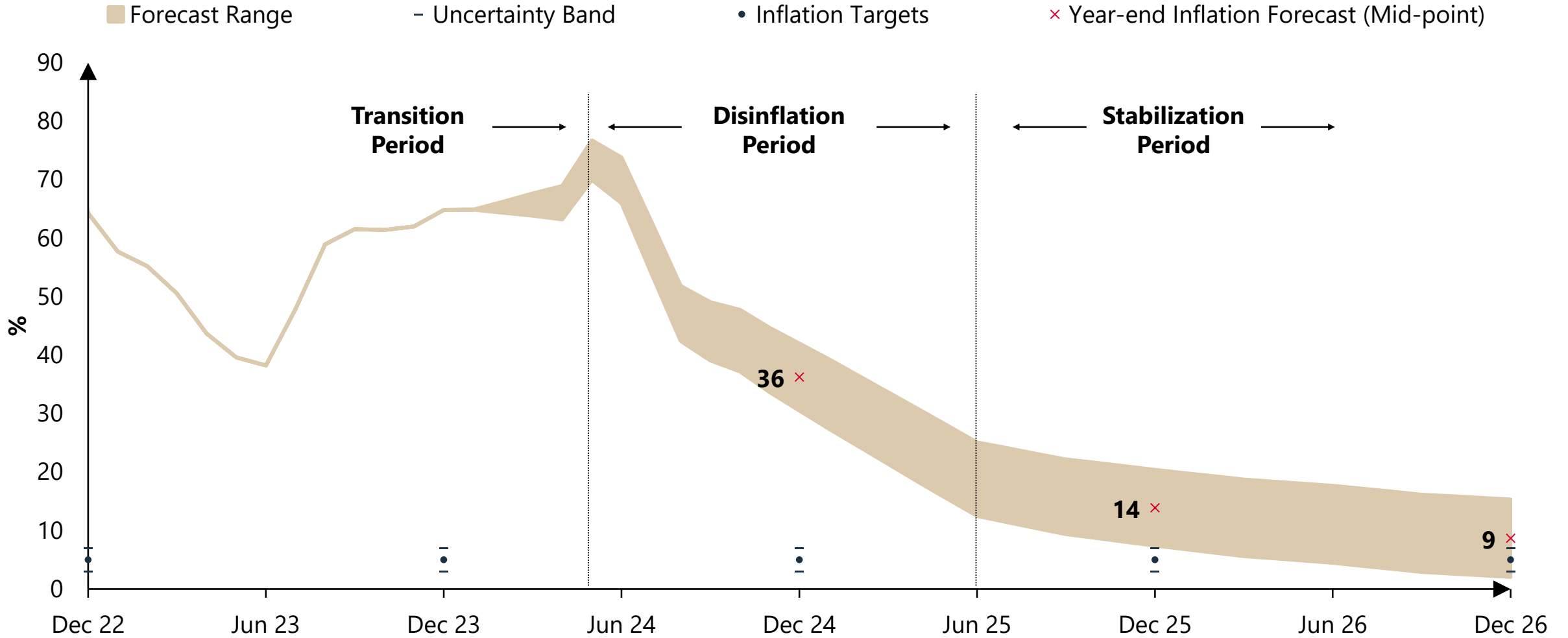


## Wages drive forecasts up, while the improvement in underlying trend of inflation brings forecasts down.

	2024
IR 2023-IV Forecast (%)	36
IR 2024-I Forecast (%)	36
<b>Forecast Revision as Compared to IR 2023-IV Period (% Point)</b>	<b>0</b>
<b>Sources of Forecast Revisions (% Point)</b>	
Output Gap	+0.4
Unit Labor Cost	+1.5
Import Prices in Turkish Lira	+0.5
Food Prices	+0.9
Underlying Trend of Inflation	-3.2
Administered Prices	-0.1

# OVERVIEW

# Disinflation will begin in the second half of 2024.





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